MONEY AND INVESTMENTS

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MONEY AND INVESTMENTS

Money and Investments

A REFERENCE BOOK FOR THE USE OF THOSE DESIRING INFORMATION IN THE HANDLING OF MONEY OR THE INVESTMENT THEREOF

FIFTH EDITION

By MONTGOMERY ROLLINS

Other books by the same author

Odd Rate Bond Values — Convertible Securities — Stocks and Their Market Places — Municipal and Corporation Bonds—Bond, Stock and Interest Tables — Serial and Instalment Bond Values Tables — Tables of Bond Values, Interest Payable Annually — Tables of Bond Values, Interest Payable Semi-Annually Laws Regulating the Investment of Bank Funds, Etc., Etc.

Revised and Enlarged, 1921,
By PERCY W. BROWN
Statistician for Hornblower and Weeks

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DEDICATED TO THOSE OF SMALL FORTUNES AND WHO ARE DEPENDENT UPON THE WISE INVESTMENT THEREOF.

FOREWORD

I

IN EXPLANATION

THERE is not any book which is of especial value in aiding one to an understanding of the many intricate expressions and terms of the financial world. Most attempts in this line have either been by some " insider " who had an " axe to grind " and, therefore, desirous of selling his own wares, or, if not that, then some book or pamphlet which treats of investments and money matters from the standpoint of supposing the reader already to have a fair knowledge of finance, which has resulted in the use of terms and expressions not comprehensible to many. I am not aware of the existence of any reference book treating of matters relating to money, and the handling and investment thereof, in an *elementary* way; in a fashion to which those entirely untrained in its management may turn and find facts needful to their understanding plainly set forth. Such simple information as to the correct way to draw a check, indorse the same, open a bank account, and a thousand and one details of every-day life, are things often not clear to many.

It has long been my belief that there is need of some publication in which a mere beginner in the handling of money may seek for assistance in unravelling the mysteries of the expressions of Wall and State Streets, and giving in a concise form such instruction as above suggested. I wonder if the financial writer of the average newspaper realizes what a tremendous amount of financial slang[1] he uses, and how he

[1] Examples of financial slang:

"The market is in a much overbought condition; things have been sky-rocketing until there begins to be an evidence of pressure upon the long side. Fancy stocks have advanced, deals have been in evidence, off which Wall Street has been scalping points. Stock pyramiding is noticeable everywhere; in fact, they have been jack-screwing the market."

"The shorts will probably now begin to get in their work, for the wise ones are beginning to act a little bearish. The old lady of Threadneedle Street must be considered."

has come to depend upon such words as "gunning," "pyramiding," "scalping," etc., to convey his meaning. No less a newspaper than one of the leading New York dailies recently published a long detailed statement of the earnings of the "Clover Leaf" Road, without anywhere giving the real title of the company. Do the banking houses which issue circulars offering bonds and other investments, or the stock exchange houses which publish market letters, ever think what a hopeless mass of matter this all is to the uninitiated? Necessarily all this information has to be put in a condensed form, and must be issued on the supposition that such common expressions as "selling short," "bull market," "legal for savings banks of New York State," "net debt," etc., are understood by the readers, and it may be said that the last ten years has been an era of education to the investing public, and that most of the matter sent out is understood by the large majority. The monthly circulars of the bond selling houses, especially, have been mailed so broadcast of late that a great deal of information must have been absorbed, even by the most obtuse. But there is still much to be desired. Women, in particular, who are unexpectedly called upon to handle money, are generally puzzled to understand the meaning of the words and phrases in common use by all financiers. Many a man makes the mistake of telling his wife little or nothing of his financial affairs during his lifetime, or in any way preparing her for the care of his property, be it ever so little, in case of his death. A woman so left with a modest fortune may have to start at the very A B C of investing, and needs knowledge sorely.

It will be my aim to explain in language as little technical as possible the many most commonly used terms and expressions in relation to investment matters. In order to avoid, to a great extent, the use of one financial term in the explanation of another, it will be necessary to treat each subject at some, I fear perhaps too great, length. To the financier I am aware it will appear unnecessarily detailed and elementary and some of the definitions almost ludicrously simple, but I can perceive no injury likely to result from erring in that direction. There are many things which the beginner should

"Sugar rose from the bottom of the cup and had a very sweet look."

"The mills where tips are manufactured were accordingly put on two shifts, and pools went to work with zeal."

"Stocks went both ways to-day. There was some selling short, apparently, some going long, some supporting of the cliqued stocks. The cliqued stocks were strongest. London came firm, and New York started the same way; then came reaction and recovery.

"Great laundry establishments are now running night and day, and unscrupulous manipulators of good, bad and indifferent corporations are working overtime."

know: the ordinary rules to safeguard one's investing which the experienced man applies almost unconsciously in making his investments. To the latter it hardly occurs that there are thousands who do not even know the desirability of a sinking fund, or that it is generally considered better to have a bond payable in gold than in lawful money, etc. I have known a banker to spend more than an hour in explaining the meaning of "accrued interest" to a woman, and a school teacher at that. Such instances are by no means rare.

A book which will help to educate the investors will be not only, I hope, of value to them, but also to the bankers, who are necessarily busy men, by having made it possible to do business with a greater dispatch with such as may have received some benefit from its use.

Many investment bankers doubt the wisdom of doing business at all with the average woman from the fact that so much time is consumed in explanation of details, and often from the lack of knowledge which many women have of the most common business rules, and which, either from courtesy or charitableness, the banker often allows her to break, to his own pecuniary loss. There must be necessarily more women who can find need for the book than men, yet it is hoped that there will be among the latter many who will find here and there in its contents something previously not clear to them.

The necessity, perhaps, for a little financial knowledge on the part of women is not so urgent as formerly. In early days, the strenuous domestic cares left them little time, if any, to the care or thought of money, and it is not to be wondered at that the husband made no attempt to educate his wife in such a direction. In the present day of greater wealth and numerous servants to lighten the domestic burdens of the housekeeper, it has become quite customary for the woman of the house to have a bank account, and check against it for personal and household expenses. Consequently, to a limited extent, many women of late years have been gathering experience, but, step by step, with this slight growth of knowledge, have arisen more and more complicated questions of finance, making it, year by year, harder to grasp even a fair knowledge of the handling of money, with the many intricate stock and bond issues now upon the market. Although this book will endeavour to cover, in a brief way, such simple subjects as the making of a draft, drawing a check, etc., yet it is intended to cover financial and investment matters in general, and to set forth in a clear light their many ramifications.

No attempt to lay down fixed rules to lead the investor to certain success finds its way into these pages; rather, it is the desire to make clear certain dangers which the investor should avoid, and establish principles which should prove helpful in reaching a fair idea as to the value of securities.

The writer has made an earnest effort to make clear some of the many intricacies which surround the complicated nomenclature of bond issues. It is not surprising that he received a letter, not long ago, from a young man, unknown to him, about to connect himself with a Southern bond house, asking if there were not some book to which he could turn to put him on horseback and start him out of the wilderness, as it were, in regard to the complexity of names attached to issues of securities.

The writer cannot undertake to give every possible combination of names. For instance, there is a "general mortgage bond," "sinking fund bond," a "first mortgage bond," and so on, all of which will be separately described in the text, but to undertake to give a fair definition for such possible combinations as "first, general mortgage, sinking fund bond," would lead to an increase in the number of subjects too great to contemplate.

Again, it would not be safe to elucidate all the laws and legal technicalities which may surround an issue. It is supposed that every reputable bond house shall have taken the legality of the issue into consideration before offering it for sale; and in this connection the reader is asked to turn to the subject headed "Attorney's Opinion." Reference to issues in general can only be made, and the value of securities referred to from the same standpoint, for there must be many common stocks which, in the nature of things, frequently sell higher than the preferred of the same company; or the first mortgage bonds of one company may not sell at as high a price as the third mortgage bonds of another. All these facts must be taken into consideration, and the province of the writer is only to undertake a reasonable interpretation and definition of each security issued within the understanding of the least experienced.

It is not the intent here to treat of mercantile affairs, but upon financial matters and investments as dealt in by banks; money and the handling of it, etc. The meaning of words and phrases as defined herein is as understood in the world of finance.

It is not advisable to follow accurately the nouns, verbs, or adjectives, as the same are given in a dictionary or an encyclopedia, but select, without regard to their grammatical position, words used commonly in financial matters. In some cases definitions will diverge widely from those of an encyclopedia and will usually not give all the possible uses of a word, but only such meanings as relate to the handling of money and securities.

The effort has been made to arrange all subjects alphabetically under the headings by which they are most commonly known. If the reader is unable to find information upon the subject sought, let him endeavour to think of some other term, word, or arrangement of words, which might refer to the same subject, with the hope of locating it in some other part of the book.

It will be useless to attempt to cover every conceivable financial term used in this country and Great Britain, or in the English-speaking world in general, nor can it be possible to give all the intricacies of the law and the rights of the lender, debtor, indorser, etc., but merely to cover those most usually come in contact with in daily financial transactions or in reading newspapers. And, as regards the rights of the lender, etc., to give the most common principles to guide him. This is not intended for an advanced book on finance, for there are separate books which cover nearly every general subject. It is more for daily reference and a guide to those greatest in need of information.

There will naturally occur to some, now and then, points not covered. To such I would say that the Encyclopedia Britannica leaves much to be desired, and that the aim here is to produce a simple "handbook" of most commonly used expressions and most needed rules to aid the beginner in the handling of money and investments. To enumerate in detail all the many rules that the banker himself has to exercise, first and last, in his own larger experience of buying and selling, would be but to breed confusion.

The names chosen by different corporations for new security issues are sometimes strange and conflicting, and very often misleading; again, entirely improper, and it is not surprising that a young man entering the banking business seeks relief from the confusion. It is human nature, a fact well appreciated in the financial world, that there is a good deal in a name, leading to the giving to many security issues titles to facilitate their sale.

The names of different classes of securities are so misused, sometimes purposely, the different meanings of the same terms overlapping one another, that it will not be strange if some readers of this book take exceptions to the definitions given herein regarding different security names.

A bond is not technically a "first mortgage," "second mortgage," etc., but secured by a "first mortgage," or "second mortgage," on the property, but throughout this work the latter meaning will, for the sake of brevity, often be taken for granted, and the former wording used. There are so many securities which are commonly referred to in Wall and State Street parlance by what may almost be called nicknames, or, at least, a great abbreviation of the full title, that the most commonly used ones will be found throughout the book, alphabetically arranged. To endeavour to cover this ground fully would add too greatly to the size of the work. A sample of the above would be that of the Chicago, Burlington & Quincy R. R. Co., which is known by all of the following: "Q," "B. Q.," "C. B. Q.," "Burlington," etc.

The statements made herein are compiled from reliable sources, mainly official, and are the latest obtainable. Although the author has left no stone unturned to verify his information, he cannot suppose that this work goes forth without errors, but it is hoped that those which exist will prove unimportant.

To certain officials in various departments of the United States Government; to many well-known bankers and brokers, experts and specialists in their professions; to several painstaking, resourceful lawyers of known reputation; and to many others, busy and successful men in their separate walks in life, I wish to express my deep sense of obligation for most able and necessary assistance in the preparation of this work. To them will be largely due whatever successes may befall it, and to the author its shortcomings.

II

INVESTMENT AND SPECULATION

Suggestions

THE tremendous and invincible force of prosperity which spread throughout our States, beginning in 1897, the like of which no other nation has ever experienced, has enabled many corporations, which met financial disaster during the middle of the "nineties," to regain a sound moneyed footing. Many securities of such corporations, which were discredited in the minds of investors, have since been eagerly sought for by the most conservative and at very high prices. People who, losing faith in the future of this great food producing country, threw over their investments at enormous losses, must look back with wonder upon their timidity, and feel that until the United States has exhausted its resources, a condition which at least this generation need give no concern, the swing of the pendulum to hard times and low prices furnishes no time to sell standard securities, but rather a time to buy. Yet this is contrary to the custom of the small investor; he loses confidence and sells at panicky prices, and regains faith just in time to buy at inflated prices. Now, in all such times, there must be some who reap the benefit of this ill-advised selling and buying; they are the large investors; bankers and brokers, who trade for their own accounts; and those associated in the management of our corporations and who can judge the future of their earning capacity. How is it so many rich men grow richer? Does it ever occur to the small investor that no new money actually comes into existence by the selling of a thousand shares of stock at twenty dollars per share over the cost? Yet such a transaction enriches some one $20,000. Not even the equivalent of money, such as the farmer, the mechanic, the miner, etc., produces, results from such a buying and selling. Some one must at some time have produced the money equivalent which pays the $20,000 profit. It is the toiler who really, by his labour, creates the money equivalent to buy the stock. Recognizing, therefore, how many rich men grow richer, and how few small investors profit in the long run by buying and selling securities for gain, it must be evident that there is a constant flow of the earnings of the toiler into the pockets of the few, largely because, as illustrated by the old simile "like a flock of sheep," the "public" sells at low prices and buys at high, and the wise ones, having confidence in the future, go contrary to the majority, and harvest the crops of other people's planting.

By a little study of prices ranging long enough to cover both years of prosperity and depression, some notion of relatively high and low security values may be had. This done, the time to sell is when the high level seems to be reached; then put the money in a sound national bank or trust company and wait until the swing towards low prices — and the wait may be a long one — is well accomplished, and thus the time to buy is at hand. But buy the highest grade, standard investments, for even the most conservative stocks and bonds will then be found at low figures.

Human nature, however, works contrary to this plan. When security prices are abnormally high, one is prone to retain good paying investments on the theory that he will lose interest while waiting for the expected fall in values. In truth, the American loses much in the end by being unwilling to forego a temporary loss of income in order to conserve his principal. Those who, towards the end of the boom times that climaxed with the panic of 1907, applied that theory when danger signs were a plenty, and so saw standard investment stocks fall $50 or more a share in price, could ponder on how many years of income loss it would have taken to offset the tremendous sudden shrinkage in principal. The fact that, in time, prices recovered, matters not, for there was the opportunity to buy back at uncommonly low prices.

The mere fact that one has money to invest is no argument for so doing at the moment, even to buy the best the market affords. Ruling prices should be considered. No merchant would stock up to the limit of his financial capacity if he considered prices exorbitantly high; he would leave the money in his bank and wait. Why should not the investor do the same?

Standard investments are mentioned above; and what such investments are is a subject to ponder on; a subject which State legislators are constantly considering in order to enact laws to safeguard the investment of savings bank and trust funds. A person who feels wise enough to divide all investments into two classes: standard or safe and questionable or speculative, is, indeed, possessed of self-confidence. Still some general advice can be given which will help one to reach a fair conclusion.

A man blessed with a moderate property sufficient for the welfare of his family, in case of his decease, provided the principal should suffer no shrinkage, gave his wife this advice — he had made her his executrix under his will, and it would devolve upon her to manage his property if she outlived him — "buy no security not sanctioned by law as a legal investment for Massachusetts savings banks." Of course, this anticipated no less conservative laws regulating the investment of the funds of such institutions than at the time the advice was given, but, perhaps, on the whole, no better reading of the future could have been undertaken, and no better advice given in so few words. In general, the laws regulating the investments of savings banks, as now in force, in such other States as New York and Connecticut, and, to a large extent, Maine, Vermont, and New Hampshire, may be used as guides in the selecting of securities.

Now, many will say: "But I can't live on such small interest returns as this kind of securities affords." Quite right, but neither can they afford to lose any of their capital. High interest rates beget loss of principal. This should be a motto and hung as conspicuously in the household of those of limited means, as other mottoes once so common in the New England home. To get with safety better than 6% to 7% interest return one must either be a shrewd, well-posted person in financial matters, or rely upon the advice of some one who is.

Misplaced confidence has been ruinous to the small fortunes of thousands. Undoubtedly there are numerous bonds of Southern and Western municipalities as well as bonds of public service corporations, which present a minimum of risk, paying from 5% to 6%, but buy such only of bankers of long experience and good established reputations, and who are known carefully to follow rules and customs which years of practice have fixed as proper. It is partially from an attempt to explain such rules, so that one may select with intelligence, that the contents of this book are offered to the reader.

Again: let the careful thinker consider if there are not certain investments based upon the needs of this nation of great resources which must, in the very nature of things, be sound. Who was it that once said "a man will see a fly on a barn door and miss the door"? Look at a map of the United States; do not get too near it; one, by so doing, sometimes sees the name of a small village, but does not see county or State names, which are in large letters. Consider this map from a broad and general standpoint; grasp, in your mind's eye, the enormous traffic of this country; the big arteries of transportation. It would seem that the bonds and many stocks of these large railroad lines should be reasonably safe, for these big systems carry commerce from ocean to ocean — if ill-advised state, governmental and political interference can be curbed — bringing the products of the West to the Eastern marts, and, also, in vast quantities for shipment to the European markets. They, likewise, transport the manufactures of the East to the West as well as to the steamship lines, in some instances controlled by these same railways, which pass them on to the Asiatic countries. Such immense traffic as this must furnish the basis for sound investment if anything can.

Unquestionably, there are almost countless small investments, here and there, which are safe and very profitable in interest return, but it is the belief on the part of so many that they have found just such a security which leads them astray. Better follow well-established rules and not be tempted by the wayside. No one may gainsay that there are not many gold and copper mines which are good, very good, but how often does the outsider get a chance to buy such a security at a legitimate price? When found to be beyond reasonable risk they are high in price. Certainly, many pay more than 3½% or 4%, but it takes an expert to pick out the good ones among the multitude of mining issues for the benefit of the kind of investor referred to here. It is customary for reputable banking houses, handling mining securities, to first have the properties examined by competent engineers and other well-known experts. When this has been done, they have gone as far as possible for the protection of the purchaser, for no one can see into the ground beyond the property already developed. There is the ever prevalent element of risk in investments of this class.

If the temptation to buy mining investments of any kind is allowed to influence one, bear one very important point in mind, viz., that a mine is ever consuming itself, — so, likewise, are such properties as oil wells, quarries, etc., — and at some future time, the product must cease altogether, or the mine reach a depth too great for economical production. The shares of a mine, therefore, should not be valued entirely by dividends. A sufficient allowance should always be made for the exhausting of the mine's resources. In case of a bonded debt upon a mining property, the investor should be sure that there is a sufficient sinking fund set aside for the payment of this indebtedness, and this sinking fund should be ample to allow for the reduction in the mine's value, for the reasons given above. In relation to mining, it is probably true that "more money has been put into the ground than has been taken out of it."

Do not be argued into buying a mining security based on the location of the mine being near another similar property of established value.

Let not the fact that a security can be bought at a discount — less than its face value — alone entice you to a purchase. That in itself is no argument to buy. It should warn one even to a more careful scrutiny of the property back of the investment. It is a well-known fact that the suicidal policy of buying only at a discount wrecked one savings bank.

Do not judge the value of shares by one dividend or by an increase in the dividend rate. The value of shares based on dividend rates can only be ascertained by a period long enough to test the corporation's dividend paying ability through good times and bad. A corporation which has been, for a term of years, paying 7% per annum upon its shares, quoted on the market at 100, enjoys extraordinary good business which, for the time, warrants the increase of the semi-annual dividend rate from $3\frac{1}{2}$% to 4%, equal to 8% yearly. Speculators seize the opportunity to force the price of the stock to 114, at which price the increased dividend rate still equals only 7% return upon the investment. There is no certainty that 8% can be maintained, nevertheless up has gone the stock, and investors buy it more greedily at 114, yielding 7%, than they did at 100, yielding 7%. It will take fourteen years of the dividend increase to return the market value increase of the stock. Perhaps that is hardly a fair way of putting it, but it may cause people to hesitate before acting according to the belief that one swallow makes a summer. Stocks are forced up or down in the market upon the least excuse, and those close to the scene of action make money at the expense of those who allow themselves to be influenced by surface appearances, and who do not probe to the bottom for real conditions.

When an industrial business, which has been conducted as a partnership, is changed to an incorporated company, and the public is invited to buy its securities, the intending investor should ask himself: "Why, if the business was such a good one, did the old firm wish to let the public into its profits?" All kinds of plausible answers can be given to such questions, and, in many cases, the incorporation is justified. As a rule, however, such methods of financing industrial concerns are best justified where many firms or corporations, or both together, in the same line of business, are united under one management to reduce competition and expense. It is the capitalization of a single firm which is more to be guarded against. Even in the consolidation of several "industrials," it is essential to consider if the business is dependent for its success upon the continued management of some, or the greater part, of the original owners. If so, it is necessary if such a management is retained, that its ownership in the stock of the new company is sufficient to continue its interest to make the company a success, or some plan adopted to insure as good or better management of the whole as the integral parts had formerly. In this connection, the reader will do well to turn to the subject "Industrial Securities."

The question often arises as to the advisability of investing money for a long or a short time. The best method to pursue depends very largely upon the financial condition existing at the time of the investment. During the early part of 1907 corporations found difficulty in selling new issues of bonds at normal prices. Consequently, they issued high rate notes running from one to three years, with the expectation that when they fell due the condition of the market would be such as to permit the refunding of these notes by the issue of long time low rate bonds in their stead. Other bonds of the same corporations were selling upon the market at extremely low figures. Yet what did the public do? Instead of buying the bonds, they bought the notes in preference, thereby enabling the corporations to profit out of the expected advance in the bonds to be issued later, rather than themselves seizing the opportunity with similar bonds then on the market.

From the above it is very easy to deduce this rule: Buy short time securities when prices are high and the net return consequently small, and buy long time securities when prices are low and the net return high. This is all based upon everything else being equal; that is, the safety of the security being supposed to be satisfactory.

Why do so many people buy a stock in some little known company with so little investigation? Such a person would not buy a small partnership interest in a business of long established reputation in his own neighborhood — one which he had every reason to believe prosperous — without the most minute investigation. But how does it differ from the other? The stock represents, to all practical purposes, his partnership in the incorporated company. Is there some hypnotic influence in the names "stocks" and "bonds"? Or is it the distance that lends enchantment? The "prophet is not without honour save in his own country," and so, perhaps, the investor believes not in his local industries, and, perforce, must seek afar for an outlet for his money, buying on the faith of some newspaper advertisement. By all this it is not meant that the seeker for an interest-bearing security should not make distant investments. Far from it, but either he should deal with a firm of untarnished and long-established reputation for fair dealings, or place his money near home in properties concerning which he has some certain knowledge. Choosing neither of these methods, then let him investigate with as great care as would the deacon in a horse trade. There are enough good investments regarding which full information may be had without wasting time over those of uncertain value, and facts regarding which are withheld from the searchlight of publicity.

At times a man — but more frequently a woman — says that there is a very small sum of money to live upon, and that it is extremely necessary to get as high a rate of interest as possible, consistent with safety. The conscientious banker often advises putting the money in some good savings bank, or buying what are known as high grade investment stocks or bonds returning from 5% to 5½% interest. The customer will immediately say that he cannot possibly live on such a rate of interest, that he must have 7% or 8%. In spite of all arguing and urging upon the part of the banker he will insist upon this interest rate. The former, against his better judgment, and contrary to his strong advice, will select, to the best of his knowledge and belief, a security that will return this desired rate of income with as little risk as possible, knowing, all the time, that no matter how earnestly he tries there is quite an element of risk. Finally, the investment is made; all goes serenely for months, perhaps years. The banker may do as well as he can to "keep track" of this investment, and often succeeds in persuading his customer to dispose of it in time to forestall a loss, and, possibly, in season to secure a profit. Frequently, in spite of his best endeavours, a loss will occur, and then his troubles begin. He will wish a dozen times that he had refused absolutely, in the beginning, to invest the money; at the time he may have requested the man not to invest it through him. The customer may have replied: "Please advise me; to whom else can I go for advice?" The latter is apt to remember very little of this. The banker is to blame from the other's point of view; he ought to have known that something was going to happen to this security, and sold it. He should have been more than human in his ability to foresee a loss; he has neglected his duty. There have been numerous cases where so little did the investor remember the conversation which took place at the time of making the investment, that he has heaped upon the banker the unjust accusation of having urged the purchase of the security.

In case of loss, let the investor assume his or her proportion of the responsibility and give proper credit to the banker in event of extraordinary profits.

Remember, always, that your investment banker is not infallible; for it is not possible for any human being to carry continually in his mind facts in relation to the multiplicity of securities handled by him. It is not to be expected that he constantly can be fully acquainted with every detail and ready, upon call, to decide upon the merits of any question raised by his clients. Especially, in times of financial panics, it is impossible for him to give many issues which have passed through his hands proper attention. It is natural that, occasionally, some one must err, and it is fair that the client should consider that he is only one among hundreds, perhaps thousands, of other clients that the banker has to consider.

In considering the advisability of selling a security, the original cost of it should not be given too serious consideration, especially if the cost were such as to show a loss. If it is a proper time to dispose of it, the cost should be left out of the question. Ask yourself whether or not you would buy at the present quotation, and if, for good reasons, you can decide in the negative, is it not a fair argument to sell? This does not mean that money is not often made by waiting, for all facts in relation to any particular security have to be taken into consideration in thinking of selling it as above indicated, but the mere fact that it costs more than you would give for it is no reason for delaying its sale.

That is the point it is desired to make clear, for probably much unnecessary loss has been incurred by those unwilling, at the time, to take a small one, but who have held on and then taken a greater one in the end. And all just because they allowed themselves to be influenced by the original cost.

When you purchase a stock, bond, mortgage, or whatever it may be, read it; see what conditions it contains. You may find therein some clause detrimental to your interests. It would not be hard to cite cases in which the holder of some stock certificate has suddenly discovered that it carried conditions, plainly stated, had he taken the pains to look, which entailed hardships upon him.

It is not unusual for an investor to spend hours and, perhaps, days in patient thought and study in seeking what he deems a safe purchase, and then, at the last moment, spend scarcely any time in the scrutiny of the paper itself.

When a banking firm buys an issue of bonds, or similar security, from any corporation which is not by law compelled to furnish public statements of its earnings, from time to time, or where the corporation is of such magnitude that it is customary to furnish a statement of its earnings to the public, such, for instance, as the United States Steel Corporation, it is important that a contract be executed between the corporation placing its securities and the banking house purchasing the same, whereby the latter shall receive semi-annually or yearly sworn statements of the earnings of the company and its financial condition during the time which the issue of securities may be outstanding; furthermore, that the banking house, for a like period, shall have access to the books of the corporation for the purpose of auditing its accounts and verifying its statements.

The reason for this is perfectly clear: It affords a means of protection to the bondholder, for, in case the earnings of the property during the life of the security are falling off, it will, by the banking house receiving a statement of such earnings, be made known to the latter and afford an opportunity for self-protection. It is no more than right that the parties lending the money, by which the corporation is able to operate, should be in possession at all times of adequate information to judge whether the property is being properly managed.

In comparing earnings, one month with another, always compare with the corresponding month of the year preceding, as that is the true test. If the corporation is one of long standing, it is advisable to examine into its earnings during a past period of business depression, and to see how it "weathered the storm."

Remember, at all times, that nothing is more sensitive to conditions and impressions than the security market. This is well illustrated in the actual happening of a woman who possessed $5,000 in bonds of a small issue in one of the New England cities. The issue was a perfectly sound one, but was held closely by investors, and the bonds seldom offered for sale. The woman desired to dispose of them, and went to her banker in New York City and asked him to obtain a bid. He, naturally, put himself in touch with one of the local brokers of the city wherein the corporation itself was located. This broker went from bank to bank and from banker to banker to get the best bid obtainable. The woman, in the meantime, had gone with the same request to not less than six other bankers in New York. They, in turn, had each sought some local broker in the New England city, so, upon these pursuing like tactics to the first mentioned, it was not long before there seemed an avalanche of the bonds of that particular corporation. It seemed that there were more bonds for sale than the total of the outstanding issue. The result was that intending purchasers became suspicious and all bids were withdrawn. The woman was unable, for the time being, to obtain any market whatsoever.

In this connection it may be pertinent to say that in the case of an issue of securities unknown in the market where they are offered for sale, the fact of not being able to find a purchaser does not argue that anything is wrong.

In the placing of money for investment purposes, in addition to the foregoing, these are some of the general principles which should be considered:

The standing of the men in charge of the corporation; the location of the property and the character of the country upon which it is dependent for its business; especially is it increasing in population and wealth, or the reverse? If it is a municipal bond that is being considered, it is not advisable to place too much confidence in a municipality which is so located as to be entirely dependent upon lumber business, oil wells, or some special form of mining; that is, a stability, not likely to be furnished under such conditions, is needed. An agricultural section is far better and more permanent than gold mining. A study of the earnings has already been advised.

Present competition, or the likelihood of the same in the future, is very important. Is the corporation charging excessive rates so as to invite competition? Are its earnings based upon patents which may be approaching expiration?

It goes without saying that the condition of the money market, at the time of purchase, must always be considered.

But when all is said, most business must rest upon faith in someone, and, therefore, the character of your banker is all-important.

This chapter thus far has been written mainly with the idea of assisting those desiring to make careful and conservative investments. The author, nevertheless, understands that there are, and always will continue to be, those who speculate, and, possibly, some of the essential points in relation to speculation may be acceptable, and here follow:

Stock market prices, which, like the ocean, are never at rest, are influenced by many forces. If one is to be even an occasional buyer or seller in the securities of the speculative world, he cannot have too clear an idea as to these factors. Monetary conditions, business conditions, and stock market manipulation, together with the political outlook, both domestic and foreign, are important subjects for study. Always remember that, although values are largely determined by business conditions, prices may, for the time being, move at variance with basic principles. Prices in the long run do, nevertheless, follow the course of existing values. (Many of the subjects mentioned in this connection will be found treated in the main part of the book, so they may be lightly touched upon here.)

It is evident that "business conditions" is a broad subject, but there are certain underlying principles which may be taken as an infallible guide, namely:

First: The crops — of main importance — the principal of which, grain and cotton, have a tremendous influence upon business prosperity.

Second: The iron and steel industries. It is well understood, and almost a tradition, that when these trades are prosperous, other departments of industry are fully occupied. The reverse is equally true.

Third: Watch the railroad earnings. They are a singularly good index of the times. Busy railways and good earnings mean work for the steel companies, car and locomotive builders, etc. Beware of the continued steady decline, from month to month, of these figures. The rise and fall in stock prices have always closely followed the rise and fall in railroad earnings.

Fourth: Study the bank clearings. They reflect business conditions wonderfully well. The clearings of the country at large are better to follow than those of a particular city which may be temporarily affected by a speculative craze.

Fifth: What are known as "swings" from prosperity to depression and the reverse. It is a well known fact that the business of every country passes through alternate periods of rising prices and prosperous times and then falling values and hard times. It behoves one always to estimate, as well as may be, at about what point in one of these cycles he happens to be.

"Monetary conditions" have reference to the supply of, and demand for, money; the effect of an increasing supply upon the rise in prices of commodities; and the fact that low money rates may encourage speculation. Money is the representative in value of all things traded in, and the scarcity of it does not tend to improve business conditions, yet, at the same time, very low money rates may argue poor business, as it shows a lack of demand. The comparative study of the daily quotations of interest paid for "call" and "time loans" is desirable.

As to "political conditions"; we are always dependent upon wise and sane government at Washington; we are sensitive to war clouds, even if not at first involving our own country. The successful speculator has world-wide conditions to dwell upon now-a-days, as the large nations are so closely associated in money and industrial matters that each is more or less dependent upon the continued well-being of the other. The searching, daily reading of domestic and foreign happenings is essential.

Stock market manipulation is fully explained under the subject "Manipulation," and is something to be carefully and seriously considered, and ever borne in mind by whosoever attempts to pick his way among the snares and pitfalls of Wall and State Streets.

There are some shrewd investors who avoid the placing of money in any enterprise of capitalization large enough to attract the attention of Wall Street, and thereby become, possibly, a puppet in the hands of some "clique." They think it better to invest in smaller companies, whose securities are offered and recommended by reputable bankers, or in local issues; in either case, the amount of the issues being too small to warrant manipulation.

It is a peculiar truth that the general public usually buys while prices are rising, instead of waiting for moderate reactions. It is better wisdom to buy after there has been a decline, and to sell after a sustained advance; but the public appears never to learn this rule.

Activity argues for rest; every excess is sure to be followed by its opposite. Depression follows inflation; and the latter precedes depression.

Nelson says in his "A B C of Stock Speculation":

"The elder Rothschilds are said to have acted on the principle that it was well to buy a property of known value when others wanted to sell, and sell when others wanted to buy."

And also, "that if your stock has been purchased and it goes up, it is well to wait; but if it goes down, it is well to stop the loss quickly on the ground that the theory on which the purchase was made was wrong. The public, as a whole, exactly reverses this rule. The average operator, when he sees two or three points profit, takes it; but, if the stock goes against him he holds on waiting for the price to recover, with, oftentimes, the result of seeing a (small) loss . . . run into a loss of ten points. He then becomes discouraged and sells out near the bottom."

A financial writer gives expression to the following:

"Value has little to do with temporary fluctuations in stock prices, but is the determining factor in the long run. Values, when applied to stocks, are determined, in the end, by the return to the investor, and nothing is more certain than that the investor establishes the price of stocks. The manipulator is all-powerful for a time. He can mark prices up or down. He can mislead investors, inducing them to buy when he wishes to sell, and to sell, when he wishes to buy; but manipulation in a stock cannot be permanent, so, in the end, the investor learns the approximate truth."

Wall Street always builds on the future, not on what has gone. It always wants a change in security values. Either way is acceptable to the professional trader if only he can get on the track of the right way in advance, and thus act before the public does.

And yet, thousands buy stocks who should not. Some buy because others do; some because the daily quotations show a tremendous apparent buying on the part of others of a stock at the moment attracting attention. They are ignorant of the fact that many of the reported sales are not genuine, but "wash sales," *i.e.*, fictitious: trades made in the open market, and quoted by parties between whom there is a private agreement that they shall be void; all part of the fine art of manipulation. Some one has said that "ignorance and credulity are at the bottom of most losses in speculation," and he said well.[1]

The writer's idea of enumerating in the foregoing matter some of the things upon which the successful speculator of the present day should be posted, and some of the things for him to consider, is to cause him to give time for thought and consideration before making a purchase or sale; to cause him to think for himself, act more upon his own responsibility and less upon what he may read and hear. The average stock-exchange broker is sometimes so near the scene of action that, however honestly inclined he may be, he will fail in his judgment.

In the preceding pages emphasis is laid upon the investor selecting a banking house of long experience and established reputation with which to conduct his dealings. That same advice is most strenuously offered to those who desire to speculate.

Finally, a few suggestions which are almost personal in their character:

Keep a record in some form — either by the stubs of your check-book, or by a simple system of bookkeeping — of your receipts and expenditures, and balance at stated intervals to find where you stand.

Do not destroy receipts; they should be kept at least six years.

Do not allow a bill which is found correct and deserving of payment to remain unpaid more than twenty-four hours.

When doing business with friends or relatives conduct it upon strictly businesslike principles.

Always retain copies of business letters sent as well as the originals of all received, having some system of filing the same.

In changing your address, notify all institutions or bankers with whom you have any financial dealings, and send notice to all corporations in which you are a stockholder; likewise corporations or municipalities of which you happen to be a registered bond holder.

Always write a telegram without punctuation marks. Then, if it reads clearly, send it.

If anybody is to do considerable investing, some form of filing information relating to the same, annual reports of the different corporations, etc., is desirable.

[1] The stock exchanges use every effort to prevent such methods.

Listed below are certain subjects which will be found in the body of the book and which those of limited experience in investment or money matters may read in connection with the foregoing:

For the Investor and Speculator

Accrued Interest
Assessed Valuation
Attorney's Opinion
Auditor
Bonded Debt
Bond Values Tables
Bucket Shop
Care of Securities
Coupons — Collection of
Discretionary Accounts
Double Liability
Engineer's Certificate
Engineer's Report
Franchise
Fully Paid
Guaranty
Indorsed Bonds
Manipulation
Mortgage
Net Return upon the Investment
Note
Optional Bonds
Par
Protest
Registered Bond
Serial Bonds
Sinking Fund
Tipster
Transfer in Blank
Transfer of Stock

In Relation to Banking

Bank Account
Bank-Book
Check
Check-Book
Deposit
Draft
How to Open a Savings Bank Account
Indorse
Overdraw
Stop Payment

Miscellaneous

Interest
Fire Insurance
Will
Woman's Signature

MONEY AND INVESTMENTS

A

A. The " ticker " abbreviation for " assented," or " Class A."

A and O. Interest or dividends payable semi-annually, April and October.

A. 1. Highest grade; none better.

" A " Bond (or " A " Stock). Used when securities are divided into classes, such as " A bond," " B bond." (See " Preferred Stock.")

Abrasion. The reduction in weight of coins or bullion resulting from friction.

Absolute Indorsement. This binds the indorser of an instrument to pay the same only in case of failure on the part of all prior indorsers so to do, and upon due notice to him of their failure.

Absorbed. There are two common uses of this word: First, " the market absorbed all stock offered." By this it is understood that all the stock that was offered found a market, or purchasers. Second, we say that one railroad has " absorbed " another, meaning that it has obtained control of, or bought it.

Abstract of Title. See " Mortgage."

Acceptance. When a " time draft " is received for collection, although not due, it is presented to the person against whom it is drawn for " acceptance." This is done by his writing across its face the word " Accepted," followed by his signature, and it is then said to have been " honored." It has now become an evidence of indebtedness against him; very much the same thing as a promissory note. The person drawing the draft has, in like manner, assumed the position of an indorser, so that if it is negotiated in the meantime, or the " drawer " has been given use of the money by his bank which has assumed the collecting of the draft, he must make it good if the "acceptor" fails to pay it. (See also Addenda.)

It is customary to date a draft when it is "accepted," and to name a place of payment; otherwise it is payable at the "acceptor's" place of business.

"Formerly in England the drawee of a bill could accept it orally, and such is still the rule in some of our States. But by the usage of merchants, as well as by modern statutes in England and in many of our States, an acceptance must be in writing on the bill. This is a proper requirement, for it enables any one who receives the bill to tell at once whether it has been accepted."[1]

A "qualified acceptance" should not be allowed by the party presenting a draft to be accepted. If the person against whom the draft is drawn, in addition to writing the word "accepted," adds thereto some qualification, such as making it conditional upon the receipt of merchandise against the shipment for which it was drawn, a "qualified acceptance" results. The reason for not permitting this is that the "drawer" or indorser upon a paper is entitled to his rights as set forth in its original form, and any change as above, except with their knowledge and approval, relieves them from any liability upon the paper.

(See also "Time Draft.")

Acceptor. See "Draft."

Accident Insurance. A form of insurance by which the person taking out the policy may recover from the company in case of accident to himself, the form of payment by the company being either so much per week — according to the amount of the policy — during the time of disability resulting from the accident; or a given sum in event of death as the result of an accident; or lesser stated sums if the loss of a limb or loss of sight, or a lesser permanent injury is sustained. Any one of the latter payments would be in addition to the weekly payments on account of inability. These last, however, are generally limited to a duration of a fixed number of weeks.

Many people who are traveling a great deal or who are engaged in a more or less hazardous form of occupation, carry such policies continually; others take them out for special occasions, as before a railroad trip or an ocean voyage, to cover the period of the journey. The cost is not excessive and this form of insurance has come into very general and satisfactory use. A person taking out such a policy should, however, read it with great care, and follow accurately the instructions given therein in case of accident, and also post himself upon the conditions under which the company becomes liable, as there are numerous "ifs" to these policies.

This is a very old form of insurance, having been known for

[1] Francis M. Burdick.

several centuries, but the Travelers Insurance Company of Hartford was the first to bring it into successful use in America, in 1863. At this present time many companies are writing this sort of risk, the amount outstanding running into the billions of dollars.

Accommodation. "Borrowers succeeded in finding accommodation," meaning that they succeeded in borrowing money. To be "accommodated" in finance means the same as in its general sense, to accomplish what is desired.

Accommodation Indorser. See "Accommodation Paper."

Accommodation Note. See "Accommodation Paper."

Accommodation Paper. Instruments which the maker, drawer, acceptor, or indorser signs merely as an accommodation to another, reaping no financial benefit for so doing, — unless paid a commission for the act, as is sometimes the case. In other words, a person becomes a party to an instrument without consideration, and for the purpose of loaning his credit to another. The rights of all parties concerned in "accommodation paper" are somewhat complex, and should be thoroughly understood. For example: corporations cannot legally make "accommodation paper." Also: the signer for accommodation is under no liability to the person benefited or accommodated, as no consideration was given; but he is liable to any other holder for value, of the paper.

The lending of one's credit in the shape of "accommodation paper" is a very bad practice and should be seldom, if ever, indulged in. Financial ruin has resulted in many instances from this sort of thing.

Account. See "For the Account."

Account and Risk. A transaction in which the broker acts merely as "agent" for the account of the customer, who assumes all the risk incurred.

Accountant. See "Auditor."

Account Current. Same as "Current Account."

Account Day. Strictly, the last of the "fortnightly settling-days." Also called "pay-day" and "settlement day." This is the day upon which stocks are delivered and paid for, and settlements made.

Account Days. See "Fortnightly Settling-Days"

Account Sales. The statement which a broker, agent, or commission merchant gives his customer, showing how his account stands.

Accounts Payable. Open accounts with others showing sums due them, but not evidenced by forms of indebtedness such as notes or acceptances.

Accounts Receivable. Open accounts on the books of a firm, corporation, etc., against its customers, not evidenced by written obligations such as notes or acceptances.

Accrued Dividend. This has the same relation to a stock as "accrued interest" has to bond. Not many stocks are sold with "accrued dividend" or "with dividend," and then only in case of "guaranteed stocks" or stocks where the dividend is certain and fixed.

Accrued Interest. One of the most common expressions in connection with investment dealings, and one very frequently not clearly understood. Let us take, for example, a $1,000 bond bearing 4% interest, or, in other words, paying the holder $40 yearly. The interest is payable January 1st and July 1st, each year; $20 at each time. This interest will not be paid before it is due; that is, in the month of June the interest due July 1st cannot be collected; but, suppose Maria Jones had held the bond in her possession until the 1st of June, she would, therefore, be entitled to the interest upon her money at the rate of 4% annually from January 1st last, at which time she received the interest then due. Therefore, if Maria Jones wishes to sell this bond to Henry Drake at a price, say, of par and "accrued interest," she would receive from him $1,000 — the principal sum of the bond — and also the interest upon the $1,000 from January 1st to June 1st, or five months, at the rate of 4% per annum. Drake would, therefore, have paid to Maria Jones five months' interest, which he could not collect until the 1st of July, at which time he would collect not only the five months' interest paid Maria Jones, but the additional one month's interest, for the time which he had had his money invested; therefore, the amount of money paid to Maria Jones would not be lost by Drake, but would come back to him, together with his one month's interest, on July 1st.

This is the only method by which it is possible to sell any security upon other than interest dates, without loss of interest to the holder, except an additional price be placed directly upon the security at the time of its sale, equal to the interest which has "accrued" since the last interest payment. Most stocks are sold in this latter way. Bonds are ordinarily sold upon the various Stock Exchanges with "accrued interest," except "defaulted" and "income bonds," which are sold without interest — or "flat," as it is called. Bonds were formerly sold "flat" upon the New York Exchange, which, at that time, resulted in a slight difference in the quotations as between that exchange and others, such as the Boston, Chicago and Philadelphia exchanges, where they were sold "with interest." "With interest," "and interest," or "interest added" are expressions, either of which is used in the same sense as "accrued interest." If a note is drawn payable "with interest" and no rate is mentioned, the legal rate of interest prevailing in the State where the note is made payable is understood.

Accumulated Dividends. The dividends which have accrued but not been paid on "cumulative" (which see) stock.

Accumulative. See "Cumulative."

Acknowledgment. A certificate of the proper officer that the maker of a written instrument has appeared before him and declared it to be his wilful act and deed.

Acquittance. A written agreement relieving one from the necessity of making a payment of money.

Active Account. Bank deposits against which many checks are drawn, and at frequent intervals; accounts with brokers which show many transactions.

Active Partner. One actively engaged in the business, and who incurs full liability, as distinguished from "silent partner" and "special partner."

Active Stocks or Bonds. Securities which are frequently bought and sold; quoted daily, or nearly so, in the newspapers or reports of the various stock exchange transactions. When trading in a security ceases for any considerable time, it becomes "inactive."

Actual Rates. See "Posted Rates."

Actual Reserve. The same as "Reserve Held."

Actuary. A person skilled in the theories and mathematical calculations on which life insurance is founded and conducted. He computes mathematically the reserve upon policies, premiums, surplus, dividends, and performs any other mathematical calculations needed in the practice of the company. The study of death rates always has been, and must continue to be, a very important item in the activity of the "actuary," and the measuring of probabilities based on his calculations is one of his most responsible duties.

Adjustment Mortgage Bonds. There are very few of these in existence, the most notable example being that of the Atchison, Topeka & Santa Fé Railway Co., which, in the reorganization of 1895, scaled down its original first mortgage to 75%, for which new first mortgage bonds were issued, and the difference, namely, 25% of the principal, and the defaulted interest, adjusted by issuing other bonds. These were accumulative "income bonds" for the first five years and then became a fixed obligation. These are known as "adjustment mortgage bonds."

Administrator (or Administratrix). A person named by the

Probate Court, or other proper authority, to take charge of the goods and estate of one dying without a will.

Ad Val. Ad Valorem.

Ad Valorem. This is a term often met with in connection with custom house matters. Duties are commonly referred to under two classes — "ad valorem" and "specific." The former is the duty levied according to the cost or marketable value of the goods in the country whence they were shipped. Specific duty is one levied without regard to value, but at a fixed rate per pound, or ton, or by measure.

Advance. "The market has advanced;" "prices have advanced;" expressions indicating a rise in prices.

An occasional use of the word is to indicate that money has been loaned,[1] or that a payment has been made. When Jones "advances" Smith $50, it may indicate either of these transactions.

Advance Bill. This is a regular "commercial bill" of exchange, only drawn against goods to be afterwards shipped instead of against a shipment already made. They are usually drawn only when there is a considerable regularity of trading between the drawer and the acceptor of the bill, whereby the latter leaves it largely to the judgment of the drawer as to the character, amount, and date of shipment of the goods.

Adventure. The Adventure Consolidated Copper Co. Also an old term for a shipping venture or speculation.

Advice. If, as an example, you forward a check to some bank for deposit accompanied with a letter containing the words "for the credit and advice of James Taylor," it means that the bank must credit the amount to James Taylor and notify him; *i.e.* send him "advice," that it has done so. Also "letter of advice," to which refer.

Afloat. A term used by traders in grain indicating the amount loaded in vessels which may be in harbour, or exported, but not yet reached its destination.

After Sight. After presentation for "acceptance," to which refer.

Agent. One who represents, acts for, or in behalf of, another, who is called his "principal."

In brief, they are divided into two classes — "special" and "general." The latter is "one who is appointed to do acts of a class, and a special agent . . . appointed to do indi-

[1] In the remarks by the Governor of the Bank of England following the Panic of 1866, loans made to assist the business community in tiding over the strained condition of affairs were referred to as "advances."

vidual acts."[1] An illustration would be that a "general agent" might be employed to buy pig iron, no restriction being placed upon him as to where or of whom he should buy. He would become a "special agent" if his principal had restricted him to the purchase of a certain lot of iron and his authority ended with the success or failure to purchase the especially described article.

The relationship between agents, their principals and third parties, and the rights and liabilities of the same, are matters worthy of serious consideration, and should be thoroughly understood before one becomes involved as any of the above parties. (The reader wishing to pursue this subject further is referred to the subject of "Agency" very clearly set forth in "Essentials of Business Law," by Francis M. Burdick.)

One very important point, however, it may be well to mention here, namely: the signing by an agent of any negotiable instrument or contract under seal. It is a safe rule for him to pursue to sign the name of his principal, by himself as agent; as, for instance, "James Jackson, by Thomas Jones, Agent;" not "Thomas Jones, Agent, for James Jackson." This is to avoid personal liability on the part of the agent.

Agent de Change.[2] The French term for a stock broker.

Agio. (There are various other ways of spelling this word.) The rate of exchange between the moneys of two countries; also the percentage of difference in values between two different moneys in the same country. For instance, a paper currency in some country may not be accepted at its face value in exchange for metallic currency. The percentage by which the latter exceeds the former in value is known as "agio." The percentage in value at which the paper currency is accepted below the metallic currency is called "disagio;" "agio" representing a premium upon a better currency, and "disagio" a discount upon a depreciated currency. The wear and tear, or "abrasion" of a metallic currency is also called "disagio."

Agiotage. This is a foreign term having commonly two meanings: First, the rate or price of "exchange;" second, speculation in stocks, bullion, exchange, etc.

[1] Defined by the Supreme Court of the United States.

[2] "The French stock market has since (1795) remained under official supervision, although alongside of the seventy official agents de change, occupying the parquet, has arisen the unofficial board known as the coulisse. Several legal conflicts have occurred between the privileged brokers and the coulisse, which led in 1898 to the reorganization of the stock exchange and the prohibition of dealings on the coulisse, except in certain classes of securities." — *The Principles of Money and Banking, Charles A. Conant.*

Agricultural Chemical. American Agricultural Chemical Co. (Chemical fertilizers and by-products.)

Aj. The "ticker" abbreviation for "adjustment."

A. J. O. J. April, July, October, and January; interest or dividends payable quarterly, beginning with April.

Albany. Boston & Albany R. R. Co., leased to New York Central & Hudson River R. R. Co.

Allonge. When checks, promissory notes, or similar negotiable instruments have their backs entirely covered with indorsements, a slip of paper, called an "allonge," is often attached to receive any further indorsements.

All or Any Part. The next subject explains this in part, to which it is the opposite, as the condition is that any amount, or even all, of the issue may be sold to the successful bidder.

All or None. This can best be understood by first reading "Sealed Bid." "All or none" is a condition imposed by the bidder for an issue of securities, by which it is understood that in the event of his bid being accepted, he is to take the entire issue, but no lesser amount. Or the seller of the security may stipulate that the successful bidder shall be bound by this same condition.

Allotment Note. Signed by a seaman, giving authority for the payment of a portion of his wages from time to time to some other person.

Alloy. In coins, an inferior metal mixed with one of greater value, to harden the latter. Our gold coins have a 10% alloy of copper and silver, while silver coins have 10% all of copper.

All Round Price. Includes cost and charges of every nature.

Alongside. Delivery of goods alongside the vessel that is to receive them for shipment.

American Rails. The general foreign — particularly London — name for United States railway shares. As a rule, however, railway shares which are traded in upon the New York Stock Exchange are those referred to.

Americans. The general foreign — particularly London — name for United States securities. As a rule, however, securities that are dealt in upon the New York Stock Exchange are more especially understood.

Amortise (or Amortize). The payment of a debt by means of a sinking fund. (See "Sinking Fund.")

Anaconda. Anaconda Copper Mining Co.

Ancillary Receiver. A second, or assistant receiver, who manages the property situated in some State other than that in which the "receiver" (principal one) gets his authority.

And Interest. See "Accrued Interest."

A. N. F. M. August, November, February, and May; interest or dividends are payable quarterly beginning with August.

Anna. See India Money Table under "Rupee."

Annual Interest. Interest payable once a year. Very few investments have interest payable at such infrequent intervals, and are not considered as desirable as in the cases where interest is payable semi-annually or quarterly.

Annuity. A fixed sum of money payable yearly; or, to put it differently: a fixed sum — granted or bequeathed — payable at certain regular periods.

Anthracite Roads. See "Hard Coalers."

Anticipation of Taxes. See "Tax Relief Bonds."

Anti-Stock Watering Laws. Laws which require that there shall be a dollar invested for every dollar of stock issued. (See also "Blue-Sky Laws.")

Apd. The "ticker" abbreviation for "assessment paid." (See "Assented Stocks.")

Appraised Value. The value set upon a property by an "appraiser."

Appraisement. The placing of a value upon a property; the value set.

Appraiser. One who is named by an individual or appointed by law to estimate values.

Arbitrage. Buying a security in one market and selling it in another at a better price; taking advantage of a difference in current quotations upon the same security in two different markets, by buying in one and selling in the other, at a higher price; the difference, less certain expenses, representing the "arbitrageur's" profit. Sometimes the sale is made in one market before the purchase in the other. "Arbitrage" business is carried on very extensively between London and New York, but chiefly by what is known as "international banking houses," to a much lesser degree between different American markets.

"Rights" for the privilege of subscribing to a new stock issue may be handled as an "arbitrage" dealing in this way: Suppose "rights" in a certain corporation can be purchased at 4½. An "arbitrage" dealer buys 100 of these for $450. These give him the privilege of subscribing to 100 shares, we will say, of new stock in the company. Immediately upon making the purchase, he sells 100 shares of the old stock of the company at 105 per share, borrowing the stock temporarily to make delivery until the new stock shall be issued in accordance with his "rights." By this transaction he makes fifty cents per share, for his "rights" cost him but \$4.50 each, carrying the privilege of subscribing to the new stock at \$100 per share. The new stock would cost him but 104½, whereas he has sold the old stock at 105.

Also, in case of merging of one company into another, where the stock of one company may be exchanged for stock in the other, opportunities for "arbitrage" dealing often arise.

In the business known as "foreign exchange" (see "Triangular Operation") the triangular plan of using a credit at one place to settle a debit at another, is a transaction known as "arbitrage." (See "Back Spread.")

Arbitrage Houses. Stock exchange houses which make a specialty of dealing in "arbitrage." (See that subject.)

Arbitrage Issues. (First read "Arbitrage.") Securities upon which "arbitrage" business is done, but as domestic "arbitrage" — "shunting" as it is called — is not countenanced by the leading stock exchanges, those issues which are dealt in by "arbitrage" dealers between the London and New York markets are more particularly understood.

Arbitrageur. A dealer in "arbitrage." (See that subject.)

Arbitrary. A fixed sum paid by a main line of railway to a branch, or connecting line, for freight originating on the latter, regardless of what is its proportion of the through rate on such freight. This is on the theory that a branch road, delivering freight to a main line, is entitled to more than its mileage proportion of the through rate.

Arbitrated Exchange (or Arbitration of Exchange). Refer to "Triangular Operation," which is what is understood.

Argentines. The various securities of the Argentine Republic dealt in on the London Stock Exchange.

Asked Price. The price at which a security or commodity is offered for sale. The "asked price" of Western Union Telegraph stock is 95 when that is the price at which it can be bought.

Assaying. A chemical analysis of ores or metals.

Assay Office. A branch of the U. S. Mint next to the Sub-Treasury on Wall St., in New York City. Its functions are to assay, part, and refine gold or silver when presented in the form of crude bullion, jewelry, or whatever it may be, and the manufacture of gold and silver bars. All such that pass through the "assay office" bears the Government stamp certifying to weight and fineness. A charge is made for doing the work for others than the Government. There are "assay offices" at other points in the country.

Assay Office Bar. A United States Government bar of fine gold or silver manufactured at a government "assay office," and so termed to designate it from one made without government regulation, which is called a "commercial bar."

Assented Stocks (or Bonds). In the event of a corporation passing through a reorganization where the security holders are requested to give "assent" to a certain plan; in the case of a stock being "assessed;" or similar instances where the consent of each share or bondholder is desired, some banking house or trust company is usually selected to receive the securities and stamp thereon in each case the fact that the holder has "assented" to the plan or paid the "assessment." If more than one "assessment" is called for, "first assessment paid," "second assessment paid," etc., as the case may be, will be stamped on the security. Securities so stamped may have quite a different market value from those not stamped, for it is evidence of the assent or non-assent to the plan.

Financial columns and stock exchange sheets refer to the above in the brief method of "assented," "ass't. pd.," "1st ass't. pd.," etc.

Assessable. See "Non-assessable."

Assessed Valuation. When a banker offers for sale a bond of any municipality, the "assessed valuation" is one of the important facts set forth. There is a general rule that the total debt of a municipality shall not be greater than a certain percentage of the "assessed valuation" after taking into consideration any sinking fund or debt for water works — which are supoosed to be self-sustaining. The "assessed valuation" is the value fixed upon the property of the municipality by authorized officials for the purpose of taxation, but the rules for fixing the assessment vary in the different States. In Massachusetts, for instance, it is customary to assess property somewhere near its marketable, or real, value, whereas, in many of the Western States the assessment is based upon about a third of the marketable value, or, even, in some cases, a lesser percentage; therefore, it is necessary to have some knowledge as to the percentage which the "assessed valuation" in a given State bears to the marketable value of the property in satisfying oneself as to whether or not the indebtedness of a municipality is excessive for the valuation given.

The "real valuation" is very frequently given in banker's circulars, offering municipal bonds, for the purpose of enabling an investor to reach the conclusion above mentioned. This "real valuation," however, is largely guess work, but long familiarity with such matters has enabled the bankers to approximate such figures with a reasonable degree of certainty.

Assessment. See "Non-assessable" and "Double Liability."

Assessment and Fraternal Insurance. A system of life insurance by which the annual premium to be paid by the insured is not fixed, but subject to change from time to time, according to the deaths during the period, each member being assessed for his proportion of the expense of the Society and the death losses.

This is probably, as a class, the cheapest kind of insurance, but has proved to be the most uncertain, on account of the many associations which have failed, and the — at times — high assessments levied. It is taken out largely by those of limited means and in small amounts. It is commonly maintained by Granges and secret orders in general, and is a very old form of insurance, its most successful exponent being the "Guilds" of the older countries.

Assets. Everything of any supposed value belonging to a person, business, or corporation is called "assets;" such as property, real estate, machinery, merchandise, material and stock in process of manufacture, cash and debts receivable, patent rights, trade marks, good will, profits, etc.

Assets Currency. A currency which it has been suggested that national banks issue but has not yet been attempted. It has received much attention and certain recommendations from the Committee on Currency and Banking of the House of Representatives. It was proposed to issue bank notes, secured — with certain limitations — by the general assets of the issuing bank, instead of Government Bonds.

Assign. To transfer in writing any right or interest. A merchant is commonly said "to assign" when, being unable to pay his debts, he transfers his property to another for distribution among his creditors.

Assignat. During the French Revolution of 1789, monetary difficulties were experienced in France, resulting in an issue of paper currency known as "assignats," the security behind it being church land that had been confiscated, besides which they were additionally secured by all the national domains and other property. The issue became so great, over 45,000,000,000 of francs, that there was a great decline in their value before their withdrawal.[1] Conant says that their depreciation was due to "the attempt to base cir-

[1] The People's Money, by W. L. Trenholm, and Century Dictionary and Cyclopedia.

culating notes upon land and other wealth of unquestioned value, but not of immediate exchangeability."

Assignee. One to whom some right or interest is transferred by writing. An "assignee for the benefit of creditors" is one to whom an insolvent merchant voluntarily transfers his property for conversion into cash and distribution among his creditors. An "assignee in insolvency" is a person appointed by a State court under the State insolvency law to take possession of the property of an insolvent debtor, convert it into cash, and distribute it among the creditors.

Assign in Blank. A written transfer (see "Assign") in which there is no name inserted of any party to whom transfer is made, but which may be done at any time.

Assimilated. An issue of stocks or bonds has been "assimilated" or "absorbed" when disposed of to the investment public.

Associated Banks. Members of the "Clearing-House Association."

Ass't. Assessment.

Assumed Bonds. Bonds issued by a corporation, the control or ownership of which passes into the hands of another corporation, which latter agrees to be responsible for the payment both of the principal and interest of such bonds, are spoken of as "assumed bonds;" that is, the "parent company" assumes the indebtedness. In railroad finance such securities are spoken of as "divisional issues," which is really what they are. Again, they are frequently referred to as "guaranteed bonds," but in the latter case the fact of the guarantee appears upon the bonds themselves.

Unless a payment of an issue of an absorbed company has been actually assumed by the "parent company," the investor can only look to the value of the property actually mortgaged as security for its investment, although the principal and interest on such issues might be protected by the larger company for the benefit of its own credit. Where the bonds have been actually assumed, then the "parent company" may be looked to for the final payment, although even in such a case it is not advisable to purchase securities of a branch or division which is not of sufficient importance to the controlling company to make it worth while to maintain the same and keep it in good physical condition.

"A" Stock (or Shares). See "Preferred Stock."

Atch. Atchison, Topeka & Santa Fé Railway Company.

Atchison (or Atch). Atchison, Topeka & Santa Fé Railway Co.

Atlantic Ports. As usually understood, Boston, New York, Philadelphia, and Baltimore.

At Sight. Payable on presentation.

At the Market. An order to buy or sell at the best price the market affords at the time, no actual price limit being named.

At the Opening. An order to buy or sell at the best market price obtainable immediately after the opening of the exchange, no actual price limit being set.

At Three Days. Delivery of the security upon the third day following the contract.

Attorney in Fact. One who acts under the authority conferred by power of attorney.

Attorney's Opinion. The necessary procedure by a corporation issuing bonds is very complex, and the work, after it is accomplished, is generally reviewed by some competent lawyer, and approved by him, before such an issue of bonds is accepted by a banking house. His written statement or approval is called an "attorney's opinion," or "legal opinion."

In the case of a municipality issuing bonds, the steps which it must take also necessitate great care, and it is likewise customary to have some competent attorney approve the issue. In fact, all banking houses of repute condition a purchase of bonds upon the same being approved by their attorney, and in making a contract for purchase this phrase is usually inserted: "The necessary papers evidencing the legality of the issue satisfactorily to our attorney to be furnished us, prior to our taking up and paying for the bonds."

An investor in bonds should assure himself that the banking house offering the same has a proper "attorney's opinion" covering the issue, unless it is some well known established issue which has been upon the market for years, and which is the obligation of such a stable and established corporation or municipality that he has the right to assume that all such steps have been properly taken. One would hardly ask for a "legal opinion" covering an issue of City of Boston bonds, which has been outstanding for some years.

The opinion of a lawyer, no matter how clearly setting forth the correctness of the legal status of an issue, does not for a moment imply that such an issue is a sound investment, for, as Moody puts it in his excellent book: "The Art of Wall Street Investing," he "has never yet known a security so poor that a lawyer's opinion could not be had to back it."

When an "attorney's opinion" is produced there are one or two precautions which should be taken. In the first place, the bond issue covered by the opinion should be thoroughly described, so that there may be no way of mistaking its identity; again, the attorney should state clearly that he has not only examined all the papers necessary to establish the legality of the issue, but, furthermore, that he has examined one of the executed bonds and approved the same. There have been cases known where all the steps leading up to the issue of bonds had been approved by some attorney, but when the bonds themselves were finally issued, they did not agree with the conditions set out in the papers furnished. Such a bond would probably not be a legal or binding obligation, or at least it might give an opportunity to escape payment, if the inclination to do so existed.

Au Besoin. Literally, "in case of need." This often appears in bills of exchange naming some one to whom application for payment may be made in case the original person (drawee) refuses.

Auction Sales. Quotations of securities sold at auction frequently appear in the papers. In Boston the custom is to hold auction sales of securities once a week — upon a fixed day, the securities having been previously advertised in the daily papers. These sales have no connection whatsoever with the stock exchanges; are held in the auction sales rooms of certain private banking firms, at which time any person may be present. Many securities not listed upon the stock exchanges are sold in this way, as well as securities which the law provides must be sold at auction. There is no restriction as to securities which may be offered for sale through such a medium.

Auditor. One who makes a profession of examining and reporting upon the financial condition of a firm, corporation, municipality, etc.; a person competent to examine accounts; compare the charges with the vouchers; to establish the fact that the financial condition is, or is not, as represented. A railroad "Auditor" is the official who examines the accounts of the different ticket offices, departments, etc., to ascertain that no errors or dishonest acts have occurred. The Auditor of Public Accounts is he who examines into the accounts of all the departments of a State, for instance, and so on.

It is generally customary for investment bankers to employ an "auditor," or expert accountant, to examine in detail the books of a corporation which is already in existence and running, to verify the earnings as rendered by such corporation, and whose bonds, stocks, or other obligations it is the banker's intention to purchase. Of course, in the case of many corporations, like large established railroads, which are obliged to furnish, at stated intervals, a public statement of their earnings, sworn to by the road's own officials, it is very often not customary to have their accounts verified in this way, but in the case of street railways, electric light companies, gas companies, etc., and even in the case of the smaller railroads, the custom is generally followed.

The necessity for such examination is well set forth in the following true case: Several existing properties had been consolidated and operated as a single property for about one year; a statement of the earnings of the property since consolidation had been furnished to the bankers intending to purchase the bonds. The earnings seemed very satisfactory, but an expert accountant, in making a very exhaustive and careful investigation of the books, found that at the time of consolidation, each of the various properties had on hand quite an amount of supplies, such as coal, oil, etc., and that during the period since consolidation, these supplies had been consumed without any charge for the value having been made against the earnings. If these supplies, which were necessary supplies, had been purchased during the period of operation, the net earnings as rendered would have been very much lessened. The result was, that the earnings were found insufficient to warrant the banker's taking the bonds. This is not an unusual case, and any "auditor" should have readily discovered the discrepancy. It does not argue in any way a desire to deceive upon the part of the officials of the corporation. They were very likely unconsciously deceiving themselves, and were as much surprised as any one to find that they had misrepresented the true state of affairs.

Now, be it said, in support of the honourable banking fraternity, that this banking firm having contracted for the purchase of this issue of bonds, based upon everything being as represented, had in turn sold it to a large institution, which had sent its own expert to examine the property, and who had made a careful and favourable report. The issue of bonds was of some considerable size and represented an attractive profit to the bankers. Upon finding the discrepancy in the earnings, the matter was at once reported to the institution, the bankers declining to have the issue pass through their office, necessitating not only the loss of anticipated profits, but an actual financial loss resulting from employment of experts, etc., running into quite a sum.

This specific example has been set forth here to show some of the troubles and tribulations of the banking houses, of which the investment public may know but little. It is perhaps a safe statement to make that on the average, one out of three issues of corporation bonds investigated, and generally at some considerable time and expense, are declined by bankers after examination. The direct money expense, and the loss of time to the banking houses from this source, is considerable in the long run, and an investor must understand that it is done primarily to protect the investors' interests, and, next, to maintain the good reputation of the banker.

There are, of course, some exceptions to this rule; banking houses have been known to buy issues of bonds without proper investigation or the employment of sufficiently expert examiners, but the bankers in general must not be condemned on account of the faults of the few. This fact is emphasized because of the unfair charge often made of the desire of the average banker to sell anything that will sell and so make a profit. The investment public little knows the care which is generally taken to safeguard its interests, and even in spite of all this care, some unforeseen condition, like possibly unexpected competition, or the invention of some new method of accomplishing what the corporation in existence may already be doing, will bring disaster, and, in such cases, the investor is too prone to heap all the blame upon the banker. And let me say a word here to the investor, before he puts the blame of financial loss upon the person from whom he makes the purchase. Let him make a thorough investigation of what has brought about the loss, let him ascertain the care that was taken at the time of purchase to safeguard his interests, and then let him be willing to take his own share of the responsibility, and remember that there is no investment of any kind that can be made without some risk, and the greater the interest obtained, as a rule, the greater the risk. Remember that risk increases tremendously with the growth of the size of the promised interest return. When an investment turns out favourably, and, as in some cases, a profit from the increase in value of the security additional to the interest return is derived, the investor is inclined to pat himself upon the back with great satisfaction and give himself all the credit for this profit; whereas, it may have been due entirely to the advice of the banker. The banker usually gets no credit; but, if a loss results you may rest assured that the banker will get all the odium of the blame.

The writer desires to lay considerable stress upon the importance of the wording of an "auditor's certificate." There are certificates and certificates, and although a banker may state that a certain issue of bonds has been safeguarded by a careful examination into and report upon the earnings of the corporation, yet that fact in itself is not sufficient. Knowledge should be had somewhat as set forth by the following, which appeared in the Wall Street Journal:

"The public . . . has suffered enough disappointment from accounts certified by reputable auditors to make the whole question of the public accountant and his function a matter of direct interest to the investor. It is very hard for the outsider to discriminate between what is really a trustworthy certificate and what is a bad one. There is no standard form.

Here is a typically bad certificate:

> "'We certify that the above condensed balance sheet is correct, according to the books and accounts.
>
> "'(Signed).........................
>
> "'*Accountants.*

"Such a certificate has little value. If the affairs of the company have been administered against the stockholders' interests and for the benefit of a dishonest executive it is certain that the books submitted to examination will balance. The certificate professes to give independent protection to stockholders, but it could be used by the crudest swindler that ever deluded the unwary investor.

"There are plenty of good certificates. Here is one in abridged form which amply protects the stockholder:

> "'We have examined the account books and vouchers of this Company and its associated companies and have verified the consolidated profit and loss account and balance sheet published herewith. We find the inventories sound and conservative. The depreciation and reserves are such as to leave no doubt in our minds that the final balance asset values are safe. Every care has been taken to include in the balance sheet all ascertainable liabilities of the company.'

"What should an examination be? It should be such an investigation as the stockholder would make for himself if he were an expert accountant. The great societies of accountants in Europe demand a certain standard of their members, and will not tolerate certificates given where no real audit has been made. Every one is willing to believe that this is the aim and ideal of our Society of Public Accountants. They can do more in a month than ill-informed State legislatures can in a year. They can establish a standard form of analysis for their members of such a character that no respectable corporation will care to use the certificates of accountants not responsible to a powerful and high-principled organization such as theirs."

Authorized Issue. The total amount of stocks, bonds, or whatever the security may be, which a company may legally sell in accordance with the terms imposed by its charter, by-laws, or otherwise.

Authorized Stock, Bonds, etc. The amount of each which a company may lawfully issue.

Available Assets. Property which can be had for sale or use, and which is not already given as security for an indebtedness.

Average Life of Securities Maturing at Different Intervals. The reader will find, toward the end of the subject " Net Return upon the Investment," an explanation of how to compute the average life of securities maturing at different intervals.

Averaging Down. Buying more stock at a lesser price than the last or previous purchases, in order to reduce the average cost to the holder.

Averaging Up. Buying more of a given security as prices advance. By this process the average cost of the whole increases. If one has been " selling short " (see that subject) a certain security, and, contrary to his expectations, the price continues to advance, he may make additional sales of the same security at the higher quotations. This would also be known as " averaging up " or " averaging."

Award. In relation to investments, acceptance of a proposition to buy; generally used in reference to some issue of bonds, for the purchase of which bids have previously been submitted. (See " Sealed Bid.")

A. & F. August and February; interest or dividends payable semi-annually beginning with August.

A. & O. Interest or dividends payable semi-annually, April and October.

B

B. This is the " ticker " abbreviation for " Bonds," " Class B," or, accompanied by figures, " Bid," or " Buyer."

Baby Bonds. See " Small Bonds."

Back. For " backwardation." (Explained under " Contango.")

Back Spread. This is a term used in connection with " arbitrage " dealings, which subject it is first necessary to understand. In dealings of this kind between New York and London, for instance, there is a difference in quotations between the two markets to make one equivalent to the other, as the cost of shipment, rate of exchange, loss of interest, etc., has to be taken into consideration. For the sake of illustration, we will call a stock selling in London at 102.50 the equivalent price to a stock selling in New York at par. Ordinary " arbitrage " dealings are based, therefore, upon the London price being in excess of 102.50, so that there may be a profit made by purchasing in one market and selling in the other. Should, however, this difference in price be less than the normal; that is, should the London quotation be less than 102.50 when the New York quotation is at 100, the profit would be made by buying in London and selling in New York. Transactions of that kind are known as " back spreads."

Backwardation. See " Contango."

Bad Delivery. A security not fulfilling the conditions imposed by the stock exchanges as referred to under " Good Delivery."

Bags. Used in London to designate the "ordinary stock" of the Buenos Ayres Great Southern Railway.

Balance. The amount due from one party to another after adjusting accounts. It is the difference between the charge and credit sides of an account. The word "balances " is often used to indicate "clearing-house balances," to which subject refer. (Also see "New York Balances.")

Balance of Trade. The "balance of trade " is in favour of the United States as against England, for example, when we have sold the merchants of England merchandise greater in value than they have sold us. This will naturally result in the shipment of gold to adjust the balance, or the selling in the United States of "exchange " on England at a discount, if the condition is a temporary one. The "balance of trade " does not always determine the debtor country, as there are other factors to be considered, such as interest and principal due on account of securities of one country held in the other. (See "International Movement of Gold.")

Balboa. Monetary unit of Panama, and the equivalent of our American dollar.

Ballooning. To manipulate prices up beyond legitimate values, to unsafe limits; in excess of intrinsic worth.

Baltic Ports. Ports of the Baltic Sea from which most of the Russian wheat was formerly shipped. This is now to a great extent accomplished through the Black Sea ports.

Banging or Banging the Market. The selling, or offering for sale, of a large quantity of a certain stock for the purpose of depreciating its price, or pursuing the same tactics in regard to several, or many stocks, in order to depress the whole market. These methods are pursued, of course, for the purpose of buying at the lower level of prices thus brought about.

Bank.[1] A corporation which undertakes the care of money

[1] The most ancient bank is supposed to have been established in Venice in 1157. (See "The History and Principles of Banking" by James William Gilbart.) Other writers give this date as late as 1171.

"The first banks were hardly more than agencies for concentrating and managing the loans of the governments, and as such had their origin in for other corporations, firms, or individuals, called its "depositors," this money always being subject to the written order of those making the deposit, either to be repaid to them or to others as appears in the orders, called "drafts," "checks," etc. Interest may or may not be allowed the depositor for the use of the money, according to the nature of the bank, and the agreement made with each depositing party. Banks must make use of money entrusted to their care so as, in turn, to make it earn enough not only to defray their own expenses, but to pay the depositors such rates of interest as may be agreed upon. To do this, banks are authorized to reloan this money; to collect drafts, notes, and other claims for which they may make charges. Banks are of several kinds, each having its own peculiar function, according to the National or State laws under which it acts. (See "National Bank," "Savings Bank," "Bank of Deposit," "State Bank," and "Trust Company.")

Bank Account. For the benefit of those who have had no experience, and who desire to open a bank or trust company account against which to draw checks, a few suggestions are here given:

Select your bank; find out the minimum sum of money which it will receive on deposit. If you have it, well and good. Then secure an introduction to some one of the bank's officers. State to him — or the one to whom he may turn you over — how much you will probably keep on deposit, and whether you will wish to borrow from the bank from time to time, and the nature of the loans. Large banks do not, as a rule, desire small accounts. Everything being satisfactorily arranged so far, you will next hand your deposit in to the "receiving teller," accompanied by a "deposit slip" or "ticket" (furnished by the bank) with the blanks filled out, giving the character, amount, date, etc., of the deposit, together with your name at the top. He will return you a "pass-book" with the sum deposited entered on the debit side. Ascertain if this is correct before leaving the counter. This book should be sent in to the bank the first of every month to be balanced, and, when returned to you with the cancelled checks, it is important that you check it up yourself to see if the total amount of the checks paid, plus the balance reported by the

Italy as early as the twelfth century. The word 'bank' originally signified a 'pile' or 'mass' of funds, like the Italian 'monte' and the French 'mont,' and was applied to the massing together of various government obligations, or their consolidation in sets of negotiable securities, which were issued, transferred, and paid through 'bankers,' who sometimes collected the public revenues and made payments in connection with the handling of public debts. It was for such functions as these that the first banks were established at Venice, Florence, and Genoa." — "*The Modern Bank,*" *by A. K. Fiske.*

bank to your credit, added to the sum of the checks drawn and not yet presented to the bank for payment, equal the sum of your deposits.[1] (Read " Bank-Book " and " Check.") Save your cancelled checks.

Before leaving the bank you will sign in a book (or on a signature card) kept for the purpose, so that your checks may be identified when presented, and will be handed a check-book usually furnished at the bank's expense. Where the latter has a numbering machine it is well to let it first number the checks and stubs.

Do not open a bank account in your own name as agent, trustee, or attorney, unless you are acting in that capacity for some other person or persons,and the relationship is clearly evidenced by some formal instrument to that effect.

Some of the large trust companies will furnish, upon request, a pamphlet going into all matters of necessary information in reference to opening and conducting an account.

Bank Balance. As commonly used denotes the amount to one's credit in a banking institution, but has been extended to mean a bank's debit or credit at " clearing." (See " Clearing-House Balance.")

Bank Bill. See " National Bank Notes " and " Bankers' Bills."

Bank-Book (or Pass-Book). The book in which a bank makes a written entry of each sum of money deposited by the customer, and is that person's evidence of the bank's indebtedness to him. In the case of a national bank, trust company, or any "bank of deposit," the book should be presented to the institution once a month to have it balanced. In the case of a savings bank, once or twice a year, according to the custom of the particular bank. The depositor must not make any changes or additions to the book, as all such must be made by the bank.

The bank used formerly to enter onthe credit,[2] or right hand, page of the book, a list of all checks paid during the month, but the custom more generally prevails now of returning a list of the checks on a separate sheet of paper, the total amount of which is entered upon the credit page.[1]

[1] Banks are now beginning to adopt the plan of returning the cancelled checks the first of each month, in envelopes with a printed form upon the face, on which appears the statement of the account as formerly entered upon the "pass-book." This obviates the necessity of the customer's handing in his "pass-book" from time to time, and with this statement he may check up his account.

[2] Remember that the book shows the bank's account with the depositor, not his account with the bank, so that what he deposits is a "debit" of the bank.

On the left-hand, or debit page, has been entered the deposits as made from time to time. These (for the sake of simplicity we will assume that we are discussing the period covering the first month's business with the bank) are added up; the total amount of the checks paid deducted from it, and the remainder, or balance, entered upon the credit page, showing the amount of money to the credit of the depositor at the time.

The sum of the checks paid and the amount still to the credit of the depositor should equal the sum total of deposits. This balance to the depositor's credit is carried forward on to the left-hand page and is added in with the next month's deposits.

Immediately upon the depositor receiving from the bank, each month, the envelope and cancelled checks, with a statement of the account, he must satisfy himself that the bank has made no mistake, and, therefore, he proceeds in this way:

The checks paid during the period are checked off with the "stubs," a comparison of numbers facilitating this process; those which have been drawn by the depositor but not presented to the bank may thus readily be ascertained, and their sum total is added to the total amount of the checks paid, as given by the bank. These are added to the balance still to the credit of the depositor, which all together should exactly equal the sum of the deposits for the period; allowance being made, of course, for interest on the accounts, or collection charges. These will be entered in the statement as follows:

In event of interest being allowed upon the account, the amount of such interest for a given period will be entered at stated intervals among the deposits. On the other side, may be found occasional charges for the collection of a check, coupon, or some such item. This charge will be evidenced to the depositor by a slip of paper giving the amount of the charge and for what it was made, which is called a "charge ticket." Therefore, in balancing the "check-book," — and in this connection it would be well to refer to that subject, — the interest and collection charges should be taken into consideration.

Any error should be immediately reported to the bank for correction.

* * * * * * * * * *

To withdraw money from a savings bank, the depositor may present his book in person, and have the amount withdrawn entered therein, besides signing in a book kept by the bank, the amount withdrawn being opposite the signature. This is the bank's receipt. To withdraw money when at a distance, draw an order on the bank following the form generally to be found at the back of every savings bank book, and forward to the bank with the book itself. Money is withdrawn from national banks, trust companies, etc., by the use of checks. (See " Checks.")

Bank Check. Same as " Check."

Bank Clearings. See " Clearings."

Bank Commissioner. One who examines into the affairs of, and has certain supervision over, the chartered banks in the State under which he is appointed. For example: the Governor of the Commonwealth of Massachusetts appoints a man whose duty it is, with his assistants, to see that all the savings banks and trust companies within the Commonwealth comply with the laws regulating them. This is largely done by making periodical examinations into the affairs of each institution. This board of commissioners is empowered to pass upon and decide many questions which may be referred to it by various banks and trust companies,[1] such as whether a particular investment may be legally bought, etc.

Bank Deposit. See " Deposit."

Bank Discount. Simple interest paid the lender of money in advance, the sum being reckoned upon the face value of the note or other obligation.

Bank Draft (or Banker's Draft). (See " Draft.") A " draft " drawn by one bank or banker against another.

Banked. In financial slang, to be backed with money by some one else. He " banked " Smith in the enterprise; that is, furnished the money.

Banker. It seems hardly necessary to define this term other than to say that the " banker," in general, is a custodian of the funds of others. Ricardo distinguishes between a " banker " and a " capitalist," however, by stating that the function of the former begins as soon as he uses the money of others, but he is only a " capitalist " as long as he uses his own money.

The term " banker " is used in altogether too broad a sense, and should not include those who make an exclusive business of note broking, stock broking, etc., or in cases where no custodianship of money is involved.

" The banker is a dealer in money more precisely than some writers have been willing to grant. He is a dealer in money, because money is, in the ultimate analysis, the commodity which he promises to deliver on demand."[2]

[1] Their powers extend to certain other institutions.
[2] Charles A. Conant.

Some states prohibit the use of the terms "Bankers" and "Investment Bankers" as applied to firms which make a sole practice of offering security issues to the public.

Bankers' Bills (or Bills of Exchange). If the reader will first understand the meaning of "commercial bills," it will be seen that these are "bills of exchange" drawn against a shipment of merchandise. They are distinguished from "bankers' bills" — which are so called because drawn by bankers rather than by a shipper of merchandise — on account of the latter's being drawn by a banker in one country against one in another with whom he has credit.

Banker's Check. A check drawn by one banker upon another.

Banker's Note. A promissory note of a private banker, or a banking house which is not incorporated.

Banker's Sterling. "Exchange" (to which refer) on Great Britain as purchased at some bank or banking house, as distinguished from regular "bills of exchange" accompanied by bills of lading, as held by the sellers or exporters showing amount due them.

Bank-Holiday. A day, other than Sunday, in Great Britain, upon which all negotiable paper may not be presented or paid; banks are closed. In England, for example, Easter Monday, Whit Monday, and others are "bank-holidays."

Banking Power. By this heading the wherewithal for the business of banking is understood, meaning the capital, deposits, surplus, undivided profits, outstanding bank notes, etc.

Banker's Acceptance. As defined by the Federal Reserve Act, an "acceptance" which "must be drawn by a purchaser or seller or other person, firm, company, or corporation directly connected with the importation or exportation of the goods involved in the transaction in which the acceptance originated, or by a banker."

Bank Money-Orders. A form of "money-order" sold by banks in competition with the United States Postoffice and express companies. More than 1,000 banks have adopted this "money-order," and many have sold large quantities of them; and, although this plan was adopted but a little more than a year ago and has not permitted of a very long test, a number of decided advantages have been discovered in the issuance of such orders, aside from whatever profit there may be.[2]

Bank Note. Not real money, but a substitute for money. A bank's non-interest-bearing promise to pay lawful money

[1] The American Banker.

to bearer on demand, the transfer from one person to another being accomplished by mere delivery, no indorsement or other formality being required. (See "National Bank Notes.") Paul Leroy-Beaulieu defines a "bank note" as a "promise made by a banker to pay a definite sum to bearer at sight."

Many financiers claim that there is no essential difference between a "bank check" and a "bank note" for the reason that the depositor is a voluntary creditor of the bank, but his checks do not obtain wide circulation without indorsement; while a bank note finds circulation as a substitute for money among people who have little or no knowledge of the bank by which it was issued. In both cases, however, the check and note represent money and must both be redeemed upon presentation.

Bank of Circulation. One which issues bank notes. Also called "bank of issue."

Bank of Deposit.[1] It would seem that any banking institution receiving deposits might properly be called a "bank of deposit," but banking men understand an institution of this class to be not a trust company, savings bank, or any such taking "time deposits," or deposits upon which interest is allowed, but banks which receive deposits subject to check, and upon which no interest is allowed. State and national banks are of this latter class.

Bank of Discount. One which employs its deposits and other funds largely in discounting (see "Discount") notes, bills of exchange, etc. National banks are of this kind, but savings banks are not.

Bank of England. Known as the "Old Lady of Threadneedle Street." Its corporate name is "The Governor and Company of the Bank of England." Situated in an irregular square opposite the Royal Exchange and residence of the Lord Mayor in London; bounded on every side by the open street, it covers about four acres, all light being secured from interior courts. The largest financial institution in the world. Since the great riot of 1780 a guard of soldiers has been marched into the bank every night for protection. The employees number over 925. The land covered by this building is probably one of the most valuable pieces on the surface of the earth.

The original charter was granted in 1694, and its existence is due to one William Paterson,[2] a Scotchman. The present

[1] Gilbart said in 1834 that "a bank which receives lodgments of money, is called a bank of deposit."

[2] Those interested in the granting of this charter used as an argument that "it would rescue the nation out of the hands of extortioners and usurers, lower interest, raise the value of land, revive and establish public

charter was granted in 1844. The currency of England to-day is largely in the hands of this bank. The "Bank of England" probably has greater influence upon the financial concerns of the world than any other institution. Its statements are published weekly, and give the minimum rate of discount at which the Bank will handle first-class paper. The influence of the Directors' Meeting, which takes place on every Thursday, is felt throughout the world.

The rate of discount established by the "Bank of England" fixes the rate of interest allowed by all the London joint-stock banks on deposits, such interest being generally at the rate of about one and one-half per cent. less than the "Bank of England" rate of discount. This rate of discount also establishes the interest rates which London banks allow on cash balances of foreign correspondents, as well as the rate of interest charged on over-drafts; besides the discount rate in the open market throughout Great Britain. Likewise, it fixes the rate of discount on documentary bills, as to the rebating of interest on account of anticipating repayment. Its influence is felt on the value of all international bills of exchange. It often works as a protection to the gold reserve held by the bank itself, for it often increases the value of money in London, checking exports of gold as well as encouraging imports of the same.[1]

By it are issued the "Bank of England Notes." It allows no interest on deposits. It is a bank in which all London banks keep their reserves. It receives and disburses the government funds and manages the government debt.

The management of the Bank rests in the hands of a Governor, Deputy Governor, and twenty-four Directors, who are elected by the shareholders. It is a private corporation.

Although the above is but a brief sketch of the "Bank of England" and the field which it covers, yet it is sufficient to make one comprehend the magnitude of this institution's position in the financial world.

credit, extend circulation, consequently improve commerce, facilitate the annual supplies, and connect the people the more closely with the government." — *Smollett's History of England.*

[1] This fact was well illustrated by the action of the Bank on Oct. 19, 1906, in raising the discount rate to 6%, it already having previously been raised to 5%. This was on Friday. It was natural to expect any change in the rate to have been made at the regular bank meeting on Thursday. There had been a tremendous drain of gold to America, a large demand from Egypt, and an anticipated demand from Argentina, besides which it was reported that the Bank of Germany was accumulating gold for Russian account. The reserve in the Bank of England had been reduced by gold withdrawals to about £18,000,000, and it was to check further encroachments upon this that the sensational advance referred to was made. This was the highest rate since Friday, Nov. 1, 1890, just before the "Baring Panic," when the rate was advanced to 6%.

Bank of England Discount Rate.[1] Each week the "Bank cf England" publishes a statement and makes an announcement as to the minimum rate of discount at which it will handle first-class paper. This may be better understood by reading the preceding subject.

Bank of England Notes. The promise to pay of the "Bank of England" in the form of "paper money," much the same as our "national bank circulation." The only form of paper money — or bank bills — in general use in Great Britain, as the issues of other banks are of no great volume. The "Bank of England" has a separate department, called the "Issue Department," where the notes are printed and all the machinery of issuing, redeeming, cancellation, etc., is carried on. "Bank of England notes" are secured to the amount of £11,015,100, by a debt due to it from the government. In that particular there is quite a similarity to our national bank notes secured by a deposit of government bonds. It is allowed to issue £7,434,900 against securities, and against all additional notes issued there must be a deposit of coin or bullion. Although gold alone is used, it is legally permissible to use one-fifth silver.

Bank of England Return. See "Bank of England Statement."

Bank of England Statement. An idea of the weekly statement of the Bank of England (for further information upon this subject see "Bank of England") is given from the following, which is the actual statement as issued Nov. 9, 1905:

ISSUE DEPARTMENT

1. Notes Issued	£48,612,645	2. Government Debt	£11,015,100
		3. Other Securities	7,434,900
		4. Gold Coin and Bullion	30,162,645
			£48,612,645

BANKING DEPARTMENT

5. Proprietors Capital	£14,553,000	10. Government Securities	£17,039,131
6. Rest	3,213,176	11. Other Securities	32,806,689
7. Public Deposits	12,141,417	12. Notes	19,700,765
8. Other Deposits	41,261,064	13. Gold and Silver Coin	1,726,040
9. 7 day bills & other bills	103,968		
	£71,272,625		£71,272,625

No. 1 needs no explanation, as that is simply the bank circulation.

No. 2 is the debt due the bank from the government, and against which the bank is allowed to issue circulation.

[1] Pratt declares that "The Bank of England discount rate sounds the key-note of the international monetary situation."

No. 3. Through the retirement of the banks issuing notes at the time of the Bank Act of 1844, the Bank of England has been able, under the provisions of the Act, to issue new notes against securities to the amount of £4,450,000, which brings its total issue up to £18,450,000.

No. 4. In the statement above there is shown an issue of £48,612,645 in notes. If we deduct from this issue the £18,450,000, notes authorized to be issued against the government debt and other securities, we find the amount of notes uncovered — unsecured — to be £30,162,645, which is exactly the amount of gold coin and bullion on hand in the Issue Department.

No. 5 represents the proprietors' advances in cash to the Government. This is the bank's capital the same as that of any other institution.

No. 6. Reserve fund and undivided profits. This is not allowed to fall below £3,000,000, the excess being considered available for dividends.

No. 7. Deposits made by the Government.

No. 8. Deposits of banks, corporations, firms, and individuals.

No. 9. Bills of exchange, etc.

No. 10. Government Securities needs no explanation.

No. 11. Same may be said of this.

No. 12. Bank notes.

No. 13. Needs no explanation, other than to say that these, together with the notes, constitute the real reserve of the bank held against deposits, and any changes are watched for with keen interest.

Bank of France. Established during 1800 by Napoleon, after he became First Consul, who desired a financial institution that should not only be of service to the Government, but also subservient to it.[1]

It has one central, or head office, in Paris, but has branches or auxiliary offices in, or is connected with, all the principal cities and towns in the country. The governor and two subgovernors are nominated by the Government, but the general council, consisting of fifteen regents and three censeurs, are chosen by the stockholders, except that three of the regents must be selected from the treasury disbursing agents. The business of discounts and advances at all its offices is transacted at the same rates as in Paris, which regulates interest rates throughout the country. The Bank has never raised its rate of discount over 9%[2] and the fluctuations in its rate have always been less violent and frequent than in the case of the Bank of England. From 1844 to 1900 the rate of discount of the former was altered 111 times, and of the latter, 400 times.

The ownership in the Bank of France is represented by shares held by individuals, but is very largely under the control of the Government. It is the only institution in the country which can issue bank notes, which is done under the direction of the regents, who are responsible, and report to the Government. The only security behind the notes is the general assets and credit of the Bank, although, in case of necessity, the Government would sustain the bank with

[1] "The Modern Bank," A. K. Fiske.

[2] "Bank Rate and the Money Market," R. H. Inglis Palgrave.

its credit. These notes are legal tender so long as they are redeemed in specie. The maximum limit of issue has been increased until now it stands at 5,800,000,000 francs.[1] Although no special reserve is held, the Bank makes a point of retaining on hand a large amount of bullion and coin. It protects its gold reserve by charging a premium when it is demanded for export. From the fact that checks are still comparatively little used in that country, bank notes and specie are principally employed in making payments. This naturally results in the extensive use of bank notes throughout the country, and calls for a large issue on the part of the Bank of France, which is generally six or seven times the amount of the deposits.

The Bank receives deposits of public money, and is, to a great extent, the Government's fiscal agent.

Bank of Germany. The Imperial Bank of Germany; commonly called the Reichsbank. The King of Prussia in 1765 founded a State institution entitled The Royal Bank, which continued until 1846, when it underwent a change and became a bank of issue. On the 31st of December, 1875, it was succeeded by the Imperial Bank of Germany. This institution, like the Bank of France, is under governmental control, but its ownership is represented by shares in the hands of individuals. It is situated in Berlin, where it carries on a very large business, but also has branches forming a net work throughout Germany. It receives, holds, and disburses the government funds, discounts bills, both inland and foreign, which is a very large proportion of its business, receives deposits and issues circulation, but is compelled by law to retain in its vaults cash to the amount of one-third of its notes outstanding, which cash must consist of legal tender notes of the Empire, gold bars, or foreign coins of a prescribed weight and fineness. The remainder must be represented by discounted bills. Its notes are not legal tender, but must be paid in gold upon presentation at any of its branches. They have no prior claim upon the bank's assets, but are simply part of the general liabilities. There are three limitations placed upon the note issue; first, no more than 472,829,000 marks,[2] which is called its "Kontingent," can be issued in excess of what is covered by the cash reserve; second, a 5% per annum tax on any excess above this limit; and, third, the one-third cash holding already mentioned.[3]

[1] Law of February 11, 1906.

[2] This sum is subject to further increase, for as a smaller bank of issue in Germany goes out of business its "Kontingent" passes to the Reichsbank, and so increases the latter's limit by whatever the limit was of the bank giving up.

[3] "Bank Rate and the Money Market in England, France, Germany, Belgium, and Holland, 1844-1900," R. H. Inglis Palgrave.

All other banks throughout the Empire must agree in their discount rate with that of the Reichsbank when it is as high as 4% and when it is lower must not cut under it more than one-quarter of 1%.

The rate of discount has been raised to 7% but once in thirty years — December 19, 1899, to January 11, 1900 — and has never exceeded that figure.[1]

Bank of Issue. Any bank authorized by law to issue money of its own in the form of "bank notes;" to issue paper money to circulate as currency. National banks are such, and so formerly were State banks, which issued "State Bank Notes," until 1865, when Congress passed an act taxing such notes 10%, which resulted in their speedy retirement.

Bankrupt.[2] When one is unable to meet his debts as they fall due he may make a fair statement of his condition out of court in order to pay his creditors, and effect a settlement with them on what may seem to them the best obtainable basis, and, after accomplishing such a settlement, receive a discharge from them relieving the insolvent party from any further obligation to his creditors. But, when unable to make a satisfactory settlement, he may take advantage of what is known as the National Bankruptcy law and go through "bankruptcy," by giving up all his property to be divided among his creditors, by which method he compels them to make a settlement, and after the accomplishing of which, he receives a legal discharge, freeing him from further liability on account of any unpaid portion of the debts, providing, of course, he does not defraud his creditors by the concealing of property, of which, if afterwards discovered, the law would usually allow the creditors to take possession.

"Involuntary bankruptcy" is brought about by the action of creditors; the "insolvent" person is forced into "bankruptcy."

"Voluntary bankruptcy" is brought about by the action of the debtor or the "insolvent."[3]

[1] Report of the Special Currency Commission of the Chamber of Commerce of the State of New York. (Oct. 4, 1906.)

[2] The Italian word "banco," meaning a "bench," gives us our word "bank." The Lombardy Jews occupied benches in the market-place, for the exchange of money and bills. If one failed, the people broke his bench, hence "bankrupt."

[3] "Under the present Federal law any person who owes debts, except a corporation, may be adjudged a bankrupt if he wishes to take advantage of the act. Such a proceeding is one of voluntary bankruptcy. Not every person, however, can be forced into bankruptcy by his creditors. A 'wage-earner' cannot be, nor 'a person engaged chiefly in farming or the tillage of the soil.' Even in the case of a person not belonging to one of these excepted classes, he must owe debts to the amount of one thousand dollars or over; he must have committed an act of bankruptcy, and the aggregate

Bank Statement. It is customary in many of the larger cities to issue at stated intervals, generally once a week, a tabulated statement of the condition of the banks which are members of the Clearing-House Association.

At about 12 noon of the last business day of each week, the "New York Bank Statement" is issued to the public, and is awaited with great interest by financial men. Each bank in that city, national, State and trust companies, belonging to the Clearing-House Association, tabulates a statement giving the average of each item for the period covering all the preceding business days of that week and the last business day of the preceding week. Besides this, each bank furnishes a statement of its condition at the close of business on Friday.

Saturday morning — or Friday, if Saturday is a holiday — this tabulated matter is turned in to the Clearing-House Manager, who, in both instances, proceeds in a similar manner to obtain an average of each item for the combined statements.

The bank statement, in its present form, enables one to readily obtain a good idea of the condition of the banking institutions of Greater New York, for, in addition to the statement of the Clearing-House banks, so-called, there is also published the reports of the State banks and trust companies in the same territory, with the exception of those institutions which are members of the Clearing-House and thus are reported in that statement.

CLEARING-HOUSE MEMBERS' ACTUAL CONDITION

	Dec. 9, 1916		Week's changes
Surplus res.	$73,790,840	Inc.	$32,789,530
Loans, etc.	3,330,499,000	Dec.	39,599,000
Reserve in own vaults	413,337,000	Inc.	23,744,000
Reserve in Fed. Reserve Bank	166,078,000	Inc.	4,019,000
Reserve in other depositories	53,750,000	Dec.	399,000
Net demand deposits	3,248,418,000	Dec.	28,597,000
Net time deposits	171,600,000	Inc.	152,000
Circulation	28,787,000	Dec.	889,000
Aggregate res.	633,165,000	Inc.	27,364,000

CLEARING-HOUSE MEMBERS' AVERAGE CONDITION

Surplus res.	$69,914,170	Inc.	$27,379,670
Loans, etc.	3,331,484,000	Dec.	62,622,000
Reserve in own vaults	403,369,000	Inc.	15,807,000
Reserve in Fed. Res. Bank	173,382,000	Inc.	3,454,000
Reserve in other depositories	53,769,000	Dec.	447,000
Net demand deposits	3,253,424,000	Dec.	49,905,000
Net time dep.	170,343,000	Dec.	456,000
Circulation	29,565,000	Inc.	22,000
Aggregate res.	630,520,000	Inc.	18,814,000

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of his property at a fair valuation must be insufficient to pay his debts, or he cannot be declared a bankrupt in an involuntary proceeding." — *Francis M. Burdick.*

NON-MEMBER BANKS AND TRUST COMPANIES' AVERAGE CONDITION

	Dec. 9, 1916		Week's changes
Loans & inv.	$768,914,200	Inc.	$6,735,800
Gold	62,738,000	Inc.	1,034,600
Currency and bank notes	10,822,700	Inc.	339,900
Total deposits	926,332,100	Dec.	10,701,400

STATE BANK STATEMENT

Loans & inv.	$413,393,400	Inc.	$325,900
Gold	43,673,600	Inc.	120,100
Curr. & bank notes	22,082,900	Inc.	2,072,100
Deposits	563,375,000	Dec.	12,991,500
Res. on dep.	106,533,500	Dec.	1,507,700
Reserve, %	25.2	Dec.	0.2

TRUST COMPANY STATEMENT

Loans & inv.	$1,704,153,400	Dec.	$9,213,000
Gold	135,170,200	Inc.	1,957,100
Curr. & bank bills	21,439,600	Inc.	5,462,100
Deposits	1,991,442,800	Dec.	40,080,100
Res. on dep.	316,998,900	Dec.	6,293,600
Reserve, %	20.3	Dec.	0.2

SUMMARY OF RESERVE OF OTHER BANKS AND TRUST COMPANIES

	State banks	Trust companies
Cash in vault	$14,087,900	$59,472,800
Cash on deposit	15,029,800	95,038,700
Total	$29,117,700	$154,511,500

Bargain. Besides the ordinary meanings for this word, which are unnecessary here, it is used in London to indicate transaction between two members of the stock exchange. (See "London Stock Exchange Transactions.")

Bargain Counter. When securities are for sale cheap they are "on the bargain counter."

Bar Gold. London quotations of "bar gold" are frequently seen, as 77*s.* 9$\frac{3}{8}$*d.*, meaning the open market price of gold in the form of bars of the British standard, which is 11–12 fine. The Bank of England is compelled by law to pay 77*s.* 9*d.* per ounce for all gold offered, the mint value being 77*s.* 10$\frac{1}{2}$*d.*, which equals our own mint price per ounce of "fine gold" of $20.672.

When in London the market price of "bar gold" falls below 77*s.* 10$\frac{1}{2}$*d.* per ounce, gold imports are favoured to the extent of the difference. The more the price of gold advances in London, the greater must be the fall of "sterling exchange" in America to make gold imports permissible.

Baring Panic. During the autumn of 1890, when speculation on the London Stock Exchange was running riot, principally in regard to securities of the Argentine Republic, including not only the national obligations, but municipal loans and investments in commercial enterprises, a cloud began to appear in the financial sky. The great banking house of Baring Bros. was on the edge of collapse. The failure of that great firm of bankers would undoubtedly take down with it many other moneyed institutions, and such a disaster in London's financial centre would carry untold misery to the rest of the financial world.

The forerunner of impending disaster was already beginning to be felt and the feeling that the world's finances were standing on the brink of disaster was apparent everywhere. The actual realization, however, was averted by a heroic effort on the part of the Governor of the Bank of England, who obtained a loan of gold from the Bank of France, and St. Petersburg, against which an issue of paper money was made by the Bank of England to temporarily accommodate the public.

He also persuaded many of the leading bankers of London to unite and subscribe a large guarantee fund, so the total assets of the Baring Bros. were taken over, and liquidated by the Bank of England, and a large surplus eventually returned to that firm. Therefore, by a wise and prompt action on the part of Mr. Lidderdale, then the Governor of the Bank of England, a world panic was prevented.

Barometer Stocks. Certain standard and active stocks the prices of which are averaged daily (except on Sundays and stock exchange holidays); the rise or fall of the average price being a good indication of the trend of the market, and a comparison with previous averages helpful to those interested.

Bar Silver. Silver as it comes from the smelter in the form of bars and which has not been, or, in fact, may never be, minted into coins. On March 31, 1921, the commercial value of an ounce of fine silver was 57.25 cents, and in a silver dollar the commercial value of the silver was 44.348 cents. There was a continued advance in the price during 1919 so that it touched the high figure of $1.37 per ounce in November, 1919. This rise has been brought about by a deficiency in the supply resulting from the steady drain to India and China, together with the demand from France and Russia for coinage purposes. The increase in the world's production of gold has undoubtedly influenced the advance in price of silver. There is also almost constant speculation in the metal in London, where "bar silver" is bought and sold as a hedge against business transactions. A recent estimate of the annual production was only 175,000,000 ounces, of which it is believed about 60,000,000 are consumed in the arts, and a like amount shipped to the far East On November 27, 1902, the price of silver in London fell to 21 11-16 pence (about 43 cents) per ounce, which is the lowest price in the world's history. On September 3, 1890, the price in New York was $1.21.

Bay Shilling. See " Pine Tree Money."

" B " Bond (or " B " Stock). Used when securities are divided into classes, such as " A bond," " B bond." (See " Preferred Stock.")

Bear. One who believes that conditions are ripe for a decline in prices or one who desires such an event, and talks " bearish " accordingly. One may believe that the price of a certain security is about to decline, and, therefore, is said to be a " bear " on that particular security, whereas he may not necessarily be so on others. The natural attitude of a " bear " is that of a seller, but he may be so for the sake of buying later at a lower price. It is said that the greatest " bears " are " bulls " who have sold out their holdings.

Bear Clique. Those whose interests lie in the direction of a decline in price of one of several securities, or market prices in general, and who unite in mutual efforts to obtain such a result. A " bear clique " in Union Pacific, for instance, is a combination formed to effect a decline in price of Union Pacific common stock. (See " Clique.")

Bearing the Market. An artificial lowering, or forcing down, of prices.

Bear Market. (See " Bear.") When so many are bears that their influence is predominant in the market a " bear market " is said to exist, or a general fall in prices.

Bear Panic. A sudden and great advance in prices of a certain stock may cause those who have been trying to depress — " bears " — and who have gone " short " of it, to suddenly, with panic-stricken energy, try to buy in — " cover " — what is needed to fill their contracts.

Bear Pool. See " Bear Clique." The difference between a " pool " and " clique " is explained under the latter subject.

Bear Raid. When those who are " short " of the market desire to " cover " and there happens to be at the same time a considerable " long " interest, the " bears " may take advantage of this knowledge and by " selling short " so force prices down that those who are " long " will be obliged to sell; thus permitting the " shorts " to buy in, *i. e.* " cover " at a profit. (An explanation of the terms in quotation marks will be found under the separate subjects.)

Below Par. A price less than face value. (See " Par.")

Belt Lines. Short lines of railroad located at terminal points for the purpose of transferring traffic from one railroad to another. The name originated because of railroads approaching a city from different directions and finding the necessity of connecting with one another over another line of rails, which, owing to the density of the population, have generally followed a circular or belt course around all or a portion of the city. Where there are two of these belt systems, one encircling the other, they are often distinguished by being known, one as the " inner belt " and the other as the " outer belt."

" Belt lines " are valuable and necessary properties, and as a rule, have proved good investments.

Beneficial Interest. " Certificate of Beneficial Interest." Example: The Temple Iron Co. is controlled by certain railroad companies, and operated in their mutual interests. The latter, not wishing to use their funds for investment in the Temple Iron Co., but, at the same time, wishing to retain its voting control, sell certificates of " beneficial interest," equal in their total amount to the capital stock of the Temple Iron Co. Such " beneficial interest " conveys to the investor the right only to receive dividends, and right to the equity in the property in case of financial disaster to it. These certificates were issued by the Guaranty Trust Co. of New York, certifying that the actual stock of the Temple Iron Co. was deposited with it, and that the voting power of such stock rested with the company. To a certain extent the railroads " ate their cake and had it too; " that is, they obtained money from investors at the latter's own risk, for the benefit of the railroad companies, without the necessity for investment upon their part, enabling them to so control the output of the Temple Iron Co. that the railroads in interest should get the benefit of its freight.

One meaning of " beneficial " in a general sense is that of a dependent or secondary possession, from which must arise its use as above outlined.

Berlin Discounts. Rates at which good " commercial paper " is being " discounted " (read " Discounted ") at that point.

Betterment (or Improvement). When a railway company replaces a 60 lb. rail with a 90 lb. rail, the cost of the additional 30 lbs. of metal per yard is usually charged first to a " betterment account " or " improvement account." The question as to how it shall be eventually treated at the end of a fiscal year depends largely upon the financial condition of the company. One which is prosperous very likely may charge this directly to "operating expense;" otherwise, it may be charged to "capital account" or "construction account," but only companies of limited financial resources would so treat an expenditure of this nature. Many experts hold that the capitalization of a "betterment" should be only in proportion to the increased earning ability conferred upon the property by the "betterment." (See subjects in quotations.)

Bid. (See "Bid Price.") Sometimes called a "tender."

Bid and Asked Prices. The quotations at which a given security can be either bought or sold.

Bid In. Used in reference to an article of property bought in at an auction or foreclosure sale; price offered not sufficiently high to warrant an actual sale.

Bid Price. The price offered, or "bid," for any security or commodity. The "bid price" of Western Union Telegraph stock is 95 when that is the price at which it can be sold. (See also "Sealed Bid.")

Bidding Up. An advance in prices brought about by bidding higher and higher, always a little above the last actual sale.

Bids and Offers. All offers to buy or sell securities in the New York Exchange are for 100 shares of stock or for $10,000 par value of bonds unless otherwise stated.

Bids and offers may be made only as follows:

"Cash," *i. e.* for delivery upon the day of contract.

"Regular way," *i. e.* for delivery upon the business day following the contract.

"At three days," *i. e.* for delivery upon the third day following the contract.

"Buyer's" or "seller's" options for not less than four days nor more than sixty days. (See "Buyer's Option" and "Seller's Option.")

Bids and offers made without stated conditions shall be considered to be in the "regular way."

"Bids or offers" shall not be made at a less variation than one-eighth of one per cent.

In all deliveries of securities, the party delivering shall have the right to require the purchase money to be paid on delivery; if delivery is made at transfer, payment may be required at time and place of transfer.[1]

After the dealing in "puts" and "calls" had been prohibited by the directors of the Chicago Board of Trade, similar methods were attempted under another name called "bids and offers," which is nothing more or less than a modern name for "puts" and "calls," which will be found explained

[1] The foregoing matter under "Bids and Offers" is from the Constitution of the New York Stock Exchange, and contains most of its important rules in connection therewith.

under those subjects. The Appellate Court has just rendered a decision to the effect that transactions of this kind — "bids and offers" — are prohibited under the Illinois statutes.

Big. Preferred stock.

Big Four. Cleveland, Cincinnati, Chicago & St. Louis Railway Company.

Big Katy. The preferred stock in the Missouri, Kansas and Texas Railway Co.

Big Kitty. Same as last subject.

Big NPR. (Nipper). Northern Pacific R. R. Co. preferred stock.

Big Steel. The preferred stock of the United States Steel Corporation.

Big Three. The name applied to the three largest life insurance companies of New York City; namely, The New York Life Insurance Co., The Equitable Life Assurance Society, and The Mutual Life Insurance Company of New York.

Big Union. Union Pacific Ry. Co. preferred stock.

Bill. "Bill of Exchange." This term is also extended not only to the ordinary bill, or statement, of money due, as a grocer's bill, etc., but to cover a promissory note, or any paper demanding money settlement. In the language of the "clearing-house" "bill" refers to bank bills or government notes.

Bill at Sight. Same as "Sight Bill" or "Draft." (See "Sight Draft.")

Bill-Book. A bank's record of drafts, notes, etc.

Bill Broker. In England, one who makes a business of handling promissory notes, "bills of (inland) exchange," etc. Sometimes called "bill merchant."

Bill Merchant. See "Bill Broker."

Bill of Credit. Really paper money issued by authority of a government. No better definition has ever been given than that of Chief Justice Marshall, who defined a "bill of credit" as "paper issued by the sovereign authority and intending to circulate as money." The Constitution of the United States provides that the Legislature of the United States shall have power to borrow money and emit "bills of credit" of the United States. The Constitution further provides that the individual States shall not emit "bills of credit" or make anything but gold and silver coin a tender in payment of debts.

Bill of Exchange.[1] (See first paragraph under "Exchange.")

[1] "Bills of exchange are said to have been invented in the 14th century by the Jews or the Lombards, for the purpose of withdrawing their property from the countries from which they were expelled." — *J. W. Gilbart.*

The laws of one of our States well defines a "bill of exchange" as follows: "A bill of exchange is an unconditional order in writing addressed by one person to another, signed by the person giving it, requiring the person to whom it is addressed to pay on demand or at a fixed or determinable future time a sum certain in money to order or to bearer." [1]

Bill of Lading. A receipt given by land or water transportation companies for goods accepted for shipment, and which is the shipper's evidence of the fact.

Bill of Sale. A paper which conveys interest or right in personal property from one party to another.

Bills. An abbreviated expression for "bills of exchange."

Bills Payable. A person's "bills payable" are all his unpaid evidences of indebtedness, such as notes, acceptances, etc., held by others against him. (See "Accounts Payable" and "Notes Payable.") They are "bills payable" from the standpoint of the person owing them and "bills receivable" from the standpoint of those to whom they are due. The distinction between "bills payable" and "receivable" and "notes payable" and "receivable" is that in the former case they represent indebtedness due or receivable for goods bought or sold or services rendered, whereas they become "notes payable" or "notes receivable" when, instead of payment in cash being made for the sum due, a note or other formal instrument of indebtedness is given in lieu thereof. "Notes payable" or "notes receivable" would also include evidences of indebtedness for money in the direct form of loans.

Bimetallic Standard. The use of two metals as a standard. (See next subject.)

Bimetallism. In reference to the currency question, the free coinage and use of both gold and silver as legal tender to any amount at a standard of value established by law, is known as "bimetallism;" the system of coinage by which both gold and silver coins (or any two metals) are recognized as legal tender to any amount.

Bingham. Bingham Mines Co. (Copper, lead, silver and gold.)

Biscuit. National Biscuit Co.

Bit. A term much in use upon the Pacific Coast as the equivalent of 12½ cents. "Two bits" is the ordinary expression there for a "quarter" or 25c.

Black Friday. September 24, 1869. One of the greatest convulsions of the many that Wall Street has experienced. Jay Gould and his partner, James Fisk, had engineered a bull

[1] Michigan, Act 265, P. A. 1905.

movement in gold which had advanced to 162½. The Government suddenly broke the "corner" by buying $4,000,000 of its own bonds with gold, and a financial upheaval followed.[1]

Bland-Allison Law. In 1878 the bill which had been introduced into the House of Representatives by Mr. Bland and afterwards amended by Mr. Allison, became a law on February 28th, which provided for the purchase from time to time of silver bullion at the market price to the amount not less than $2,000,000 per month nor exceeding $4,000,000 per month. It provided for its coinage into silver dollars of 412½ grains as fast as purchased. As first introduced by Mr. Bland the bill provided for what is known as a "free coinage of silver" at the ratio of 16 to 1; namely, the coinage of silver upon the same terms as gold. The "Bland-Allison Law" was repealed in 1890 and superseded by what is known as the Sherman Act, to which refer.[2]

Bland Bill (or Law). See "Bland-Allison Law."

Bland Dollar. Another name for the "standard silver dollar," but uncommonly so.

Blanket-Mortgage. A mortgage covering several different properties, or a collection of properties, and given to secure a single debt, or sometimes given to secure indebtedness previously created in different forms. When a mortgage of this kind is given, an underlying lien (indebtedness having prior claim) is generally implied. The usage of this term is, after all, somewhat vague. It is occasionally applied in about the same sense as "general mortgage," but, the writer thinks, improperly so, unless, possibly, upon a system composed of two or more companies, for there is, perhaps, this difference: The latter covers property owned by one corporation, and used in the general conduct of its business, as a railroad, for instance, whereas a "blanket mortgage" more particularly covers several separate properties, each of which may have no similar or common use with the others. A mortgage might be issued to cover a property under construction, and so worded as to also cover the property when completed; all equipment, future acquired property, etc. This would really be a "first mortgage," and so called, as there is a certain dislike to the term "blanket mortgage," and, although in the case just cited the mortgage might also be considered a "blanket" first mortgage, on account of its liberal provisions

[1] There have been other days than the one mentioned above which are also referred to as "Black Fridays." At the time of the failure of the large London banking house of Overend & Gurney, May 11, 1866, a catastrophe followed which resulted in the designation of "Black Friday" for that day.

[2] United States Treasury Department Circular, No. 72.

in regard to the future, no one would think of using that word in such a connection.

The present tendency in creating mortgages is to eliminate the "future" or "hereafter acquired" clause, as it may become troublesome when companies desire new property and must raise additional funds for the purpose. To be prohibited from so doing on account of being obliged to place new property under an existing mortgage, may be a hardship. It is often possible to get around this restriction, however, in many ways; as by the issue of a "purchase money mortgage" or an issue of bonds by a separate corporation, guaranteed by the parent company.

Blank Indorsement. See "Indorsement in Blank."

Blind Pool. When a group of individuals, firms, or corporations place their interests in a particular matter in the control of some one person — generally one of the group — for a definite time, agreeing that that one shall manage their interests without any instructions from the others, except as set forth at the outset, what is called a "blind pool" is formed. The members may, by the term of agreement, not even be allowed any information from the one in control during the life of the pool, unless the object for which it was formed shall have been sooner accomplished.

Sometimes the term "blind pool" is given to a corporation whose operations are completely shielded from the knowledge of its stockholders or the public, only those actually in the management or closely associated with the same, having any knowledge of the company's financial condition and earning ability.

Block. A "block of stock" or a "block of bonds" means a considerable amount of such security bought or sold in one transaction. The sale of 5,000 shares of stock at one time would be considered as a "block." Sometimes, when the securities of a corporation are offered for public sale or subscription, a certain amount of stock is required to be purchased with a given amount of bonds; these combinations of securities are known as "blocks."

Blotter. Commonly called a book of original entry. A book in which a first and temporary record of transactions are made, later to be transferred — "posted" — into books of more permanent record.

Blue-Sky Laws. See "Addenda."

Bnk. Bank.

Board. "On the board," meaning on the exchange. (Also see "Board Room.")

Board Man. A broker, being a member of some exchange, who goes upon the floor of such an exchange and transacts business. Such a man may buy and sell for his own firm or for some other; that is, a firm need not necessarily send upon the floor of an exchange some one of its members possessing a seat thereon, but may employ, at fixed rates of commission (see "Two-dollar Man"), some other member of the exchange to act in its stead. In any event, the one actually doing the business upon the exchange itself is called the "board man."

Board of Education. For school purposes, a separate municipality is often created with its own officers and territorial lines. Such geographical divisions are often called "School Districts." This custom is very common in the middle and far West, and "Board of Education" and "School District" bonds are those issued by such municipalities. The name "School District" is more commonly applied in certain sections of the West where the cities are subdivided into several districts and the same method of subdivision is extended to the rural sections; whereas the title "Board of Education" is more commonly in use in sections where practically the entire city is embraced in the district.

These bonds have, as a rule, proved very safe investments. The appropriation of money for the education of children appeals to the average American, which, together with the fact that many of the Western States have received financial aid in the way of public lands for school purposes, has made a sound basis for the establishment of good credit.

Board of Investment. (See "Savings Bank.")

Board of Trade of the City of Chicago. A commercial exchange organized and chartered under the laws of Illinois to promote uniformity in the customs and usages of merchants, and acquire and disseminate valuable commercial and economic information. It is a place wherein such commodities as grains, seeds, flour, provisions, etc., are dealt in. Inasmuch as Chicago is claimed to be not only the great grain clearing-house of the world, but also the largest lumber market in the world, and inasmuch as the volume and value of the different grain crops of the West have a direct bearing upon the transportation rates and consequently railroad earnings, and as they generally fix the rate of interest on money, the importance of the "Chicago Board of Trade," and of the information which is distributed broadcast therefrom, can be well appreciated. For here is collected all information concerning crops; on the bulletin of the Exchange is posted the price of wheat, maize, oats, and provisions in all the principal markets of the world, and this information is spread broadcast for the benefit of both producer and consumer.

One obtains membership by being voted in by the Board of Directors, and upon the payment of an initiation fee of $10,000, or upon the presentation of an unimpaired and unforfeited membership duly transferred, and by signing an agreement to abide by the rules, etc.

In all trading on the Exchange actual delivery is contemplated by tender of regular " warehouse receipts " representing the commodity in question unless otherwise agreed between buyer and seller.

To insert here all necessary to completely cover the matter of commissions charged by the Board of Trade would occupy too much space, as it varies on each commodity, according to amount and conditions of sale. The usual trading unit in grain is 5,000 bushels, for which the commission is $7.50 for the purchase or sale, or for the purchase and sale; the latter being termed a "round turn."

There is a clearing-house maintained for the convenience of members, conducted in a similar manner to a " stock exchange clearing-house."

The Chicago Board of Trade has issued a very voluminous book, containing not only all the rules in relation to transactions thereon, but an enormous amount of information, statistical and otherwise, which is well worth the perusal on the part of any person who wishes to investigate this subject further.

Board Room. A room in a broker's office where customers may obtain quotations of sales almost immediately after the transactions are made upon the various exchanges. " Tickers " are installed in all these rooms, but the method of displaying the information differs in various firms. In some, the customers read it directly from the " tape; " in others, a boy copies the quotations as fast as received upon large sheets of especially ruled paper, with columns headed with the names of the securities, and, in others, the quotations are displayed upon a blackboard similarly arranged, that all may see from the various parts of the room. From the latter custom arises the name, " board room."

This term is also applied to the trading room of an exchange.

Boat Loads. A Chicago Board of Trade term which refers to canal boats, averaging to carry about 8,000 bushels of grain.

Bob. An English shilling (24 3-10 cents).

Bobtail Pool. (Read first part of " Pool.") A " pool " in which the members buy or sell independently of one another, and not through one member.

John Moody defines it as an informal pool in stocks, in which the members join together to move the stock either up or down, and then each is usually allowed to suit his own pleasure in closing out his interest.

Bolivar. The monetary unit of Venezuela, being equal to the French "franc," and to $.193 United States money. This name was chosen in honour of the hero of Venezuela.

Boliviano. The monetary unit of Bolivia, silver, and equal — at this time[1] — in value to about $.478 United States money.

Bonanza. Any lucky strike of rich ore in a mine; an unusually profitable speculation or investment.

Bond.[2] An instrument by which a government, municipality, or corporation contracts and agrees to pay a specified sum of money on a given date (sometimes reserving the right for earlier payment), the bond itself being a coupon-bearing (or registered) note under seal; the coupons representing the quarterly, semi-annual, or annual interest, as the case may be, at a fixed rate.[3] (See "Corporation Bonds.")

In the case of a "corporation bond," a mortgage is usually placed upon the property to secure the issue. In the case of the government or municipality, no mortgage is necessary, although sometimes certain revenues are pledged for payment of the principal, or interest, or both. The government or municipality, as a rule, simply issues its promise to pay under seal in the form of a "bond" as already described.

"Bonds" are issued by corporations, when sufficient money for the capital of same cannot be raised by the issuing of stock at satisfactory prices, or when, perhaps, the limit of stock which can be issued legally has been reached, and additional money is required. Again, suppose a corporation is enjoying very good profits, earning and paying, for example, 10% dividends upon its stock; it needs money for additions and extensions; to issue more stock would be equivalent to borrowing money at the high rate of interest of 10%, for that

[1] United States Treasury Department Circular issued April 1, 1906.

[2] Two men of finance once made the attempt to define a "bond" in the fewest possible words with this result: First, "Promise to pay under seal." Second, "Chosen action under seal." The writer offers these for consideration.

[3] Cleveland, in his "Funds and Their Uses," distinguishes between a bond and an ordinary promissory note in this way: "The only way that a bond is distinguished from an ordinary promissory note is by the fact that it is issued as a part of a series of like tenor and amount, and, in most cases, under a common security. By rule of common law the bond is also more formal in its execution. The note is a simple promise (in any form, so long as a definite promise for the payment of money appears upon its face), signed by the party bound, without any formality as to witnesses or seal. The bond, on the other hand, in its old common-law form, required a seal, and had to be witnessed in the same manner as a deed or other formal conveyance of property, and though assignable was not negotiable. This is still the rule within many jurisdictions."

is what the stock issue already outstanding is returning to its owners. The company finds it is possible to sell bonds bearing 5% interest to raise the needed capital. It is expected that the increased capital will return earnings to the corporation not less than that already invested; viz. 10%. Consequently, by the sale of bonds bearing 5% interest, the difference between that and the expected earning capacity of the new capital, or another 5%, would accrue to the benefit of the stock already outstanding, and increase, therefore, the rate of dividends upon that stock.

Bonded Debt. The fixed indebtedness of a municipality or incorporated company in the form of bonds. (See "Bond.")

The question of the amount of bonded indebtedness fair to place upon property, fair to both the shareholders and bondholders, is a question deserving of much serious consideration. There is a general belief that the property of a corporation should only be mortgaged to the extent of its unchangeable value; that is, the minimum value of such property, as generally recognized, in a time of public adversity. Mortgaging a property to this extent would leave the shareholders to take the risk of the fluctuating value, and it is proper that they should do so, for, as a rule, the bonds on a property are expected to pay a lesser rate of interest than the dividend return to the shareholders. It is impossible to give any set rules here: each case will have to be judged upon its own merits. The amount of sinking fund must be taken into consideration, also the kind of property mortgaged. For instance, some properties depreciate through wear and tear much faster than others — street railways, for instance, more rapidly than electric light or gas plants. (This subject will be found more fully treated under the heading "Sinking Fund.")

In the case of municipal bonded indebtedness, a very prominent lawyer once made the statement that no municipality could ever stand a greater "net indebtedness" than 5% of its assessed valuation, and that is a very good rule to follow, but, like all good rules, it has its glaring exceptions; for instance, the assessed valuations of some Far West and Middle West communities are very much less, in proportion to the marketable value of the property, than here in the East (This is more fully set forth under the heading "Assessed Valuation"), and, in such cases, a greater net indebtedness than 5% might be fully justified.

Another thing to be considered is not to be influenced too much by the offer of a new issue at a figure below the par value — that is, at a discount. If a railway corporation sells an issue of bonds having 20 years to run, bearing 5% interest, and receives but 80 cents on a dollar for the same, the purchaser is prone to believe that the net earnings need to provide for only 5% on the bond issue, but when these bonds mature, 20 years afterwards, they must be paid off at par, or 20% in excess of the original selling price. This 20% must come from some source, and, therefore, it would be better for the purchaser to spread this 20% over the time which the bonds have to run, estimating the issue roughly, bearing, say, a 6% rather than a 5% rate; then, judge whether, or not, the corporation can stand such an interest charge. On the whole, it is better financiering for a corporation to issue its bonds at a rate of interest which will warrant their sale in the close proximity to par.

Bond for a Deed. An instrument which the seller of land gives to the one wishing to purchase it, and which binds the former to convey the title upon receiving price agreed upon.

Bond of Indemnity. In investment matters the common use of the "bond of indemnity" is in case of a lost security. It is a form of guaranty protecting a corporation (firm or individual) in event of presentation at some future time of a security which had been lost by the owner and the corporation issuing the same had issued a new security in its stead. The usual way of obtaining such a "bond of indemnity" is to apply to some "guaranty and indemnity company" which makes a business of furnishing such bonds upon satisfactory evidence that the security has been lost or destroyed. For this bond, which is really a form of insurance, a reasonable charge is made.

A "bond of indemnity" has many uses to secure one against loss in money matters, but one of the most common is as a protection for the employer against loss resulting from the handling of funds, securities, etc., by an employee; as the cashier or treasurer of a bank. Such a bond may be obtained by an executor or administrator of an estate when required by law.

All "bonds of indemnity" used formerly to be obtained by getting one or more private individuals to "go on his bond." This was almost always done as a distinct favour on the part of the signer, and generally against his better judgment; he receiving no pecuniary return for his risk, as a rule. It gradually became more and more difficult to get such bonds, and, naturally, the "insurance" feature entered into it, and properly organized companies have taken over most of this work.

Bond (payable) to Bearer. Either an ordinary coupon bond, or a registered (registered as to principle only and with coupons) bond which has been so registered that it is good in the hands of the bearer and may pass from hand to hand without transfer upon the registration books.

Bond Values Tables. First read "Net Return upon the Investment."

The computations involved therein are based upon the principle that the holder of a bond, bought at a premium, is expected to immediately reinvest a sufficient portion of the money derived from the payment of each coupon, and keep it invested at compound interest until the maturity of the bond, so that the face value of the bond added to the accumulation of reinvested interest will, at the maturity of the bond, be exactly equivalent to the original cost of the same.

To illustrate, let us take a 5% bond having 20 years to run, yielding 4 per cent to the investor at a price of 113.68; that is, $1,136.80 for a $1,000 bond. The investor believes that he will receive 4% upon the purchase price of $1,136.80. As a matter of fact, he receives $25 each 6 months, or $50 yearly. At the maturity of the bond, he will receive, besides the last interest payment, only the principal sum of $1,000. There must be some manner, therefore, of accounting for the $136.80 premium originally paid. This is done through the creation of a sinking fund, as follows:

The investor must reckon 4% upon the total cost price of $1,136.80, which would amount to $22.74 for each 6 months' period. The semi-annual coupon being $25, there is left, therefore, a sum of $2.26, which, if immediately invested, will, at the maturity of the bond, added to the principal sum, together with other amounts similarly deposited twice yearly, equal the purchase price.

In the 20 years which the bond has to run there will be 39 times $2.26 deposited, which will have drawn interest, and one like sum taken at the maturity of the bond, which will have no time to draw interest. 40 times $2.26, however, will be the amount set aside, or $90.40, which is $46.40 less than the actual amount sought. This $46.40 is provided for by the interest—and compounded at the investment rate; in the foregoing case, 4 per cent — upon the sums set aside.

It is true that there would be some difficulty in putting this into actual practice, and that the sinking fund plan is seldom carried into effect, but, nevertheless, it does not change the principle that money has a value, so that, if the sums are not set aside and invested, the theory remains the same.

The question naturally arises as to the application of the foregoing principle for determining the yield of a bond bought at a discount. Let us again illustrate: A 5% bond having 20 years to run, if bought at the rate of 88.44, or $884.40 and accrued interest, will net the investor 6%; that is, 6% on the $884.40 invested. As the coupons fall due, he obtains, the same as in the above case, $25 each 6 months or $50 per annum. When the bond matures, he will receive, in addition to the interest, the full principal sum of $1,000, for which he has paid but $884.40. There is, therefore, a difference here of $115.60, by which amount the purchaser will be apparently enriched at the maturity of his bond. If, however, he wishes to avail himself, in the meantime, of the full 6% net return, to which he is entitled, he must anticipate this difference of $115.60, which may be done in this manner: He is entitled to reckon his income at 6% on the $884.40, the original purchase price, which, for each 6 months, would call for $26.53. The coupon which he detaches from his bond provides for but $25 of this. There is, consequently, the sum of $1.53 which he should receive, from some source, to make his full 6% interest. He may anticipate the $115.60 above referred to by taking from some other fund this $1.53 each 6 months. This represents the amount which, if invested at 6% — the same net return as provided for in the investment — will, at the maturity of the bond, added to the $884.40, just equal $1,000.

To explain one more point in this connection, and following the illustration above, where $1.53 is taken each 6 months from some other fund, is there not a loss of interest each time upon that amount until the maturity of the bond? Or, in other words, what provides for the interest on these sums? That comes back at the maturity of the bond, for, it will be noticed, that if $1.53 be multiplied by 40, the number of coupons, the sum equals $61.20. But $115.60 will be received at the end of 20 years, and the difference between these last two sums is $54.40. That is to say, $54.40 represents the compound interest on the $1.53 periodically taken and expended as income.

Bonus. In matters financial this has several uses. It may be a premium given for a loan, for a charter or other privilege granted a corporation; it may be an extra dividend to shareholders, or may be stock thrown in with the sale of bonds or other stock, and in this last use perhaps it is most common. An illustration would be: A banker offers a client, say, $10,000 bonds of a certain railway or other corporation, which bonds in themselves might not be very attractive to the investor; in order, therefore, to accomplish the sale of the same with greater ease, the banker gives, or throws in, as a " bonus " a certain amount of stock, probably of the same corporation.

Bonus Bonds. Bonds issued by a municipality to encourage the building of a railroad or some manufacturing industry, for more information regarding which, turn to " Railroad Aid Bonds." They are not considered a desirable investment.

Books Close. In order that corporations, especially the larger ones, may pay a dividend, it is necessary to fix an interval of one or more day's duration, during which it is possible to make a correct list of the stockholders as shown by the transfer books, so that the dividends may be sent to the stockholders as of record the date provided for in the vote passed declaring the dividend. It is desirable that no stock shall be transferred during this process, and it is, therefore, customary for large corporations to "close their books;" that is, their transfer books, during such an interval. This period generally precedes shortly the actual payment of dividend. Many corporations are accustomed to give ample notice to stockholders either by mail or by advertising, stating the dates of closing and opening of the books. Books may be closed for other than the above reason.

The New York Stock Exchange rules provide that on the day of the closing of the transfer books of a corporation for a dividend upon these shares, all transactions therein for cash shall be "dividend on" up to the time officially designated by the closing for transfers. All transactions on that day may be made therein for "cash" — deliverable the same day rather than on the following day as is the usual custom — in order that the dividend due may be obtained by the buyer. All transactions on that day, other than for "cash," shall be "ex-dividend." Should the closing for transfers occur upon a holiday or half holiday observed by the exchange, transactions on the preceding business day other than for "cash" shall be "ex-dividend." The buyer of any shares during the period for which the transfer books may be closed shall be entitled to receive all interest, dividends, rights, and privileges, except voting power, which may pertain to the same during the period.

After the closing of the books the delivery on purchases of "odd lots" of stocks cannot be made until the books open.

In a case where personal liability is attached to a certificate, the seller shall have the right to make delivery by transfer. The right to require receipt or delivery by transfer shall not obtain while the transfer books are closed. (See "Transfer in Blank.")

Books Open. (See "Books Close.") Transfers of stocks may again be made.

Book Value. The worth of any business or corporation, as shown by its own books. Suppose a corporation of $100,000 capital stock, par value $100, shows, by its books, profits which have not been divided, of $50,000. Taking for granted that the books honestly represent the facts, then there is one half, or 50%, as much profit as capital; therefore, adding the 50% to the $100, par value of the stock, the "book value" would be $150 per share.

Boom. An enormous advance in prices; everything going upward midst tremendous enthusiasm, until unreasonable and unnatural levels are reached.

Boomers. Those endeavouring to create a " boom," or instrumental in causing one.

Boot. See " To Boot."

Borrowing Stock. A broker (or any one) borrows stock when he has made a contract to deliver, and the stock which he has sold, for any one of various reasons — such as having sold it " short " — cannot be delivered at the time agreed. The usual method of borrowing among stock exchange brokers is as follows:

Sharp & Co. sell 1,000 shares of Western Union Telegraph Co. stock at 90; delivery to be made the following day. The customer for whom they have made the sale cannot deliver it for some little time, possibly he has sold it " short." (See " Selling Short.") Sharp & Co. ascertain that Brown & Co. have 1,000 shares of the same stock, which they are carrying for a customer; they are borrowing upon this stock at a bank at the rate of, say, $70 a share, which is all the bank wishes to loan upon the stock, at the reigning price of $90. In loaning the stock to Sharp & Co., Brown & Co. would receive $90 a share, which would, therefore, be equivalent to borrowing $20 a share more upon the stock than they could in any other way; giving Brown & Co. that much more available cash in their business and for that reason they are willing to loan the stock. The latter must pay Sharp & Co. interest on the money, which usually is a little more favourable to them than the ruling market price. This is called the " loaning rate on stocks." The loaning rate varies greatly for any given stock with the demand to borrow it. Sometimes no interest is paid (the rate is quoted " flat ") on account of a great demand; and again the call to borrow a certain stock may be so great as to cause not only the elimination of the question of interest, but the lender may be able to exact a premium from the borrower. This premium is expressed in percentage as 1-32% (per day). The lender of a stock is entitled to all dividends declared upon it during the time of the loan.

Sharp & Co. would be obliged, each day, if there were any change in the quotations of Western Union stock, to adjust the difference with Brown & Co.; that is, we will suppose that Western Union stock, on the day after the loan is made to Sharp & Co., advances to 95; Sharp & Co. would be obliged to pay Brown & Co. $5 a share more on the stock; perhaps, however, it declined to 88. In that event Brown & Co. would have to pay $2 per share to Sharp & Co. In other words, the difference between the two firms must always be adjusted in accordance with the price ruling. This protects the original lender of the stock and enables him to buy the stock in, if necessary, at any time, without loss, and does not make him dependent upon Sharp & Co.'s ability to deliver the stock in case called upon so to do by the lender.

Boston Method of Figuring Interest. See "Interest."

Boston Shilling. See "Pine Tree Money."

Bottom. "The bottom has been reached;" meaning that prices will not go lower, or that depressed business conditions have reached their lowest ebb, and, in either case, an upward tendency is next expected.

Bottom Has Dropped Out of. If the bottom drops out of a pail of milk, it is about as bad a catastrophe as could happen to the milk. When the "bottom drops out of the market," a similar idea is conveyed regarding prices; namely, that they have gone downward in about as bad a way as it is possible to conceive, and that everything has a very discouraging appearance.

Bottom Prices. The lowest prices. The expression "he got in at the bottom" means that nobody obtained the security at a less price than the person referred to.

Bottomry. A loan which has a vessel pledged as security for its payment.

Bottomry Bond. The contract given for the securing of a vessel to the lender as a pledge for the payment of the loan. (See "Bottomry.")

Bourse. The name applies to stock exchanges in Continental Europe. It should always be written with a capital "B"; if written with a small "b," as "la bourse," it means "the purse"; with a capital "B," it means "the exchange."

Generally speaking, the "Bourse" may mean either the market place for the sale of securities, the meeting place for bankers, bill-brokers or even merchants to transact their business, or the particular place where some specific kind of merchandise, such as grains, cotton, etc., are bought and sold.

The Paris "Bourse" was founded in 1726.

B. Q. Chicago, Burlington & Quincy R. R. Co.

Bradstreet's. See "Commercial Agencies."

Brassage. (Read "Seigniorage.") "Brassage" differs from "seigniorage" in the latter indicating the difference between the commercial value of the metal in the coin, and its face value, while "brassage" is a charge made for coining bullion, usually based upon the approximate cost of accomplishing the same.

Break. "Break in the market:" a sudden and considerable decline in prices.

Break Even. To close a transaction with neither profit nor loss; to come out just even.

British Columbia. The British Columbia Copper Co., Limited.

Broken Lot. Same as " odd lot " in reference to stocks, and less than $10,000, par value, in bonds.

Broker. One who makes purchases and sales for others — his principals — acts as a middleman, receiving a fixed fee called " brokerage " (see next subject; also " Jobber ") for his services. Although many consider a " broker " as an " agent," it must be understood that there is a distinction between the two. The " broker " endeavours to bring together the two parties to the transactions, as, for instance, the buyer and seller, and effect an agreement between them. The best illustration would be in the case of an insurance agent and broker. The latter is authorized to act by one or more companies, while the former represents no company in particular, but will usually obtain insurance with the company where he can make the best trade, and thus acts in the capacity of bringing the insurer and insured to an agreement.[1] Brokers are of many kinds: stock, grain, cotton, oil, real estate, and so on.

Brokerage. Practically the same as " commission," but used to denote the fee charged by any kind of a " broker." If you sell a hundred shares of some stock through a stock broker, he will charge you a certain percentage, say $15; that is, 15 cents for each share, or a total for the hundred shares of $15. This charge is called " brokerage."

Brokerage Transactions. See " Commission " and " Margin."

Broker's Board. Same as a " Stock Exchange."

Broker's Note. A paper given in writing by a broker to the party for whom he is acting, setting forth the terms of the purchase, or sale, as the case may be.

Brown Brothers' Virginia Debt Certificates. After West Virginia was set aside from Virginia, it refused to accept what was considered its just proportion of the debt of the original State of Virginia. A plan was proposed for an adjustment, and a majority of the holders of the original certificates deposited their evidences of indebtedness with Messrs. Brown Brothers & Company of New York, and their receipts bear the title of Virginia Debt Certificates. After many years' litigation a partial settlement of the claims was made in 1919 and 1920 by the issue of $13,500,000 3½% serial bonds as an obligation of the State of West Virginia.

B. R. T. Brooklyn Rapid Transit Co.

" B " Stock (or Shares). See " Preferred Shares (or Stock)."

Bucketed. When an order has gone through the machinery

[1] "Essentials of Business Law," Burdick.

of a "bucket shop" and been accepted by the same, theoretically executed, it has been "bucketed." No actual purchase or sale takes place, the broker must pay losses if the customer has guessed the right way, and vice versa if the opposite.

"Bucketed" is used to denote the handling by a legitimate stock exchange broker of his customer's accounts on "bucket shop" methods. In other words, he takes the opposite end of the bet to his customer, and buys if his customer sells, and sells if he buys. By this plan, however, securities are actually bought and sold, to that extent differing from a real "bucket shop." Such practice is not in good repute.[1]

Bucket Shops.[2] (See "Margin," which read first.) "Bucket shops" are run by irresponsible brokers, not members of any stock exchange, and who do a marginal business upon one dollar a share and upwards.[3] As a matter of fact, in the case of a "bucket shop," the stock itself is usually not purchased

[1] Inasmuch as legitimate stock exchange brokers have been known to "bucket" their orders — accepting the customer's loss or paying him the profit upon the settlement of the account — it may be sometimes desirable for a customer to know as to whether his orders are actually being executed. This may be done by his demanding the name of the broker on the opposite side of the transaction; that is, the one to whom his security has been sold or from whom it was purchased. The rules of the stock exchange entitle him to this information.

[2] "The origin of the term 'bucket shop' is not now often referred to, and there may be some people who do not know what it is. The old-fashioned stock broker, member of the New York Stock Exchange, for instance, would not take an order to buy or sell less than an even hundred shares of stock on margin. He would refuse to deal in odd lots. So those people whose capital did not admit of their furnishing the necessary margin to trade in so large an amount were shut out from trading. Thus sprang up a class of 'brokers' not members of the exchange, yet calling themselves brokers, who made a practice of accepting from a number of different customers orders for odd lots until the total amounted to a hundred or some multiple of a hundred shares. Then they would give joint order as one to some regular broker for execution, putting all the small orders together to make one sufficiently large, as the staves of a bucket are put together to make the bucket. Hence the nickname of these intermediate 'brokers' or jobbers grew to be 'bucket shop keepers.' In more recent times the reputable 'broken lot' brokers organized an exchange of their own for the direct handling of these small trades, and the term 'bucket shop,' accordingly, possesses a present significance less respectable than that of its origin." — *Providence Journal.*

[3] The Constitution of the New York Stock Exchange prohibits its members having any connection whatsoever with "bucket shops," and treats upon the subject as follows:

"Any member of this Exchange who is interested in, or associated in business with, or whose office is connected directly or indirectly by wire or other method or contrivance with, any organization, firm, or individual engaged in the business of dealing in differences or quotations on the fluctuations in the market price of any commodity or security without a bona-fide purchase or sale of said commodity or security in a regular market or Exchange, shall on conviction thereof be deemed to have committed an act or acts detrimental to the interest and welfare of this Exchange."

or sold for the customer. If the order is actually executed upon a bona fida exchange, then the " bucket shop " puts in a contrary order for a like amount. For example, a " bucket shop " would sell an amount equivalent to the customer's purchase, or, likewise, purchase an equivalent amount to his sale, thus in no event carrying stocks. It amounts to the customer wagering his money upon a given stock either going up or down, and the " bucket shop," accepting his wager, gambles the other way; and, in the long run, they, like most other gambling establishments, come out winners. A specific example would be for a person having about $10 to go into a place and buy, say, ten shares of stock, with the anticipation of a rise. He will be charged the buying and selling commission, and interest on the account, the same as in a legitimate broker's office, although no stock will be actually purchased or sold. If the stock goes down more than his dollar margin, unless he puts up more money to protect himself, he will be sold out and the transaction closed, and he will have incurred a loss. If it goes up and he chooses to sell, he will be paid the difference between the buying and selling values of the stock, less the two commissions, and interest on the account, plus his dollar per share originally deposited. In this event the " bucket shop " is the loser for the amount the stock has advanced less the two commissions and interest, unless, by chance, they feared that the stock might advance and to protect themselves had actually purchased. In that case they, in turn, would have had to pay a commission to a legitimate broker. Bear in mind one thing all the time; that the quotations of the legitimate stock exchange are followed in the " bucket shops." Stock exchanges have made strenuous efforts to prevent the installation of " tickers " in concerns of this kind, for if it were not possible for these establishments to get the stock exchange quotations, it would be difficult for them to exist.

The curse of this sort of business is that it attracts men and women of very small means, often office boys and the like. It is one of the worst forms of stock gambling known and has done untold injury. The majority of " bucket shops " will advertise that stock can be actually delivered, but as nobody calls for delivery, except in rare cases, they can afford to purchase the stock through genuine brokers to fill the demand of such rare occasions.

" Bucket shops " thrive best on a declining market, for it is natural for the average person to buy stocks in anticipation of their advance in value; or, in other words, the majority of customers wager that stocks will go up. Therefore, a falling market causes the " bucket shop " to win more of its wagers than a rising market.

The magnitude and power of this unwholesome business, centring in New York, is emphasized by the knowledge that at times the daily transactions are almost as large as that reported on the New York Exchange itself. The impression is growing that a large percentage of this business is in the control of a few unscrupulous men commanding enormous financial resources. Under their management the tentacles of this business are reaching out over the country in the shape of branch offices, from which points orders are received at the common centre. Suppose, for example, one of these heavily financially backed concerns finds that it has "orders to buy" a very large number of shares of a given stock. Technically, they are "short" of that stock. It is perfectly feasible for them to go into the market and offer a large block of the same stock for sale, and break the price sufficiently to wipe out all the margins on orders in hand. Stratagems of this kind must be done by the "bucket shop" indirectly, as legitimate stock exchanges do not countenance members accepting orders directly from "bucket shops."

Building and Loan Associations. A form of bank incorporated under the laws of many of our States which has experienced a rapid growth. They are to encourage the accumulation of money on the part of those of limited means, for the erection of buildings, making improvements on lands, payment of encumbrances thereon, and, in a general way, to encourage real estate investments and the owning of homes and the saving of money. One joins an institution of this kind by becoming a subscriber to one or more shares, of an ultimate value of — generally — $200; that is, obliging himself to pay a stated sum in fixed periodical instalments, say monthly; upon the failing so to do he must suffer certain prescribed penalties. He agrees to make these payments until the shares reach the stated value, when they become, as it were, fully paid; his proportion of the earnings of the institution, going to his credit, helps bring his shares to the "fully paid" requirements. A shareholder is entitled to borrow money upon real estate from the "association," when it has any on hand to loan, up to the face value of the shares held. Not only must he pay the legal rate of interest, but a slight premium besides. Formerly the loanable money was offered to the shareholders at stated intervals, and awarded each time to the best bidder, but now the plan of fixing the premium has been more generally adopted. Some of the "associations" will loan to members upon their shares as collateral, up to a certain percentage (say 90%) of the amount paid in.

After all the required payments have been made upon shares, a subscriber may demand a return of his money, plus his share of the earnings of the "association."

The magnitude of the money invested in this country in institutions such as above, may be appreciated from the following figures furnished by the Secretary of the United League of Building and Loan Associations: Total assets (1919–1920), $2,126,620,390; membership, 4,289,326; these returns relating to 7,788 associations.

There are various institutions such as Savings Fund and Loan Associations, Mutual Loan Associations, Corporative Savings and Loan Associations, Homestead Aid Associations, Corporative Banks, etc., but for all practical purposes their intents and aims are substantially the same as the "Building and Loan Associations."

These associations are divided into what are called "local" and "national." For obvious reasons it is better to invest in those of the former class.

The first institution of this kind in the United States was at Frankford, Penn., in 1831, although in England these associations have been traced back to as early as 1789.[1]

Associations of this type have proved a great blessing to the wage earners of this country, and the blessings do not end there; the community at large is a gainer in more ways than one. It is conceivable that civil strife in this country may be restrained from the very fact that such a large number of people of limited means have become property owners.

Building and Mutual Loan Associations. See "Building and Loan Associations."

Building Mortgage. See "Mechanic's Lien."

Bulge. A small but sudden advance in prices.

Bull. One who believes that conditions are ripe for an advance in prices, or one who desires such an advance, and talks "bullish" accordingly. One may believe that the price of a certain security is about to advance, and, therefore, is said to be a "bull" on that particular security, whereas, he may not necessarily be a "bull" on others.

One writer defines a "bull" as "a man who has something to sell . . . consequently he is anxious for prices to go up" that he may do so at a good price.

Bull Account. (First read "Bull.") All those who are interested on the bull side of a particular security, or of the market in general.

Bull Campaign. An organized attempt to force up the prices of one or more stocks for the purpose of selling out on the advance.

Bull Clique. Those whose interests lie in the direction of an advance in price of one or several securities, or market prices

[1] Department of Commerce and Labour, Bulletin No. 55.

in general, and who unite in mutual efforts to obtain such a result. A " bull clique " in Union Pacific, for instance, is a combination formed to effect an advance in price of Union Pacific Common Stock. (See " Clique.")

Bulling Prices (or the Market). Pushing prices upwards.

Bullion. Uncoined gold or silver, generally in the form of bars, but sometimes in lumps or other masses. Although the uncoined metal is usually understood, yet, in discussions relating to the currency, the coined metal is signified as well. For export purposes the former is generally used.

Bullion Point. This is occasionally used in the same sense as the " gold import point " or the " gold export point."

Bullion Value. The commercial value of the precious metals as distinguished from the face value of coined money. If a gold five-dollar piece has been reduced in weight, by wear, so as to contain but $4.75 worth of fine gold, the latter is its " bullion value."

Bull Market. (See " Bull.") When so many are " bulls," that their influence is predominant in the market, a " bull " market is said to exist.

Bull Pool. See " Bull Clique." The difference between a " pool " and " clique " is explained under the latter subject.

Bunco. To swindle or cheat.

Buoyant. Having the quality of rising. When the market is " buoyant," it is rising rapidly, with leaps and bounds; creating much enthusiasm among those benefited thereby.

Burlington. Chicago, Burlington & Quincy R. R. Co.

Business Is Business. Meaning that everything is fair in business and that its conduct shall not be tried by the moral code. It is to be regretted that there should have existed a condition giving occasion for the coining of this phrase.

Business Paper. Often referred to as " business receivables," or " trade paper." Notes, acceptances, etc., taken in the course of one's business in exchange for goods delivered, for instance, and not notes given in exchange for money with which to do business. If West, a grocer, sells Clark fifty barrels of flour and accepts the latter's note for the amount, such a note is " business paper." If West had borrowed $10,000 in cash from Clark, giving Clark his note therefor, and West wished this money to use in his business, such a note would be known as " paper." " Paper " given by a dry goods house, for instance, might be " business paper " or " mercantile paper," according to whether it was given by the dry goods house to a jobber for goods purchased of him, or was given in the form of a note in direct exchange for money borrowed to conduct the general business of the concern. As a matter of fact, all classes of notes, acceptances, bills of exchange, etc., irrespective of for what purpose given, are referred to as " commercial paper " or, more briefly, " paper," and the minute classification given above is not always adhered to in common usage.

The foregoing terms used to designate different kinds of " promises to pay " arise from usage.

Business Receivables. See " Business Paper."

Buy at the Market. An order to buy at the lowest price at which the security can be obtained without any price limit being set by the one giving the order.

Buy at the Opening. An order to purchase immediately after the opening of the stock exchange and at the lowest price possible.

Buyer's Option. A stock exchange term for a contract under the terms of which the buyer of a security need not receive delivery until the end of a specified time. He also has the right to demand delivery any time within the period covered by the contract, by giving one day's notice to the seller. The understanding is briefly expressed as " buyer 4," " buyer 10," the figures indicating the number of days provided for in the agreement. By the New York Stock Exchange rules the time must be not less than four nor more than sixty days.

Buyer the Year. This is explained under " buyer's option," except that one year is the time allowed the purchaser to call for delivery.

Buyer Three (or any number). See " Buyer's Option."

Buying Back. Same thing as " Short Covering."

Buying Down. See " Averaging Down."

Buying In. See " Short Covering," meaning the same, also buying in " under the rule " (to which refer) and buying to return borrowed stock.

Buying on a Scale. Buying at regular intervals as the market changes. Example: A certain stock at 100, at 98, at 96, and so on at every decline of 2%, purchasing a stated amount each time.

Buying Order. An order given to a broker to buy a certain security, either with or without limit as to price as the case may be. An order to buy is good for the date for which it is given only unless otherwise specified. Sometimes an order is given " good until countermanded," or " good until cancelled," by which the broker understands there is no definite limit as to time; but brokers usually remind their customers at frequent intervals regarding the orders to be sure that they wish them to still remain in force.

Buying Outright. An absolute purchase for which full payment is made.

Buying Up. See " Averaging Up."

B. V. These letters stand for " book value." (See that subject.)

C

C. When printed upon the " tape," either " Class C " bonds, " coupon," or " cash " (if preceded by a sale) is understood.

Cable Companies — Securities of. Since the laying of the first submarine cable in the Atlantic Ocean, the world has now been girdled with them. The large expense contingent upon their laying, repairing, etc., has been considerably reduced, but the liability to breakage and the consequent cessation of business is considerable. The ocean bed is uneven, and there is necessarily a considerable wear and tear, to say nothing of the dangers of ship anchors and icebergs. The repairing of a break has been much simplified, as it is now scientifically possible to calculate with great accuracy the location of the break, and, by the aid of charts, to locate and pick up the two ends. Still, there is an element of risk about cable company investments; but, nevertheless, they seem to be regarded as an established form for the employment of money.

Cables. Cablegrams giving quotations in foreign markets. These are referred to as " private cables," which distinguishes those received by private firms, or individuals, from " public cables," which are received by commercial organizations. Also used to designate securities of railways operated by cables.

Cable Transfers. A method by which bankers in one country give their customers immediate use of money in another. A person in Boston wishing so to remit a sum of money to a person in London, may go to a banker dealing in " foreign exchange " and deposit the sum desired, together with an amount sufficient to cover certain charges and expenses, and the banker will cable his agent or " correspondent " in London, authorizing the payment of the sum desired to the Londoner, another cable message being sent the latter advising him where he may call to get the money. The charge made for a " cable transfer " depends upon the " rate of exchange," and a newspaper quotation: " cable transfers 4.87¼ " means that for every " pound sterling " — English money — the Bostonian wishes to pay the Londoner, he must deposit $4.87¼ U. S. money, besides the expenses of cabling.

Call. A demand for the payment of money; a demand for payments (generally in installments) of subscriptions to stocks or bonds; an assessment for which one is legally liable; a notice of intention to prepay a bond or warrant.

A "call" is a contract which gives its possessor the right to demand, from the party signing the same, a certain amount of stock (grain or other commodity) at a named price during the time stated in the contract. (In London the privilege conveyed in a "call" can only be exercised on the last day of the time limit. In New York it may be exercised any time within its life.) The party willing to execute such a contract, in consideration of the sum received, believes that the security will not be more than this sum above the price named in the contract during its life (or at the maturity of the same), thus making it no object for the owner of the "call" to demand the security.

"Calls" are dealt in much more extensively in London than in America. A "call" as executed in New York may read as follows:

"For value received, the bearer may call on me on one day's notice, except the last day, when notice is not required, 100 shares of the capital stock of the Arctic Electric Co. at $175 per share any time within 30 days from date."

Then follows the signature, the time of expiration, and an agreement that all dividends paid upon the stock in the meantime shall accompany the stock in case of the rights of the "call" being exercised. (See also "Options.")

The word "call" is also used in reference to the calling off upon produce exchange, "futures" in commodities, or, upon a stock exchange, a list of securities.

Callable. This indicates the right on the part of the issuer of a security to pay it off — usually under certain conditions — previous to its actual date of maturity; "subject to call;" "subject to redemption."

Called Bonds. Bonds called for payment or redemption. In many issues of bonds the right is reserved to pay off all, or a certain portion of the issue, under conditions and at such times as may be specified in the bonds and deed of trust.

Bonds which are "callable," that is, subject to this right of prepayment, are oftentimes considered undesirable, owing to the fact that the notice of a bond being "called" may not reach the attention of the holder, and, as a result, he may lose interest by not discovering that it has ceased until the time of presentation of the next coupon. It is important, therefore, that the holder of a bond subject to redemption previous to its actual maturity, shall be conversant with the terms under which such bond may be "called," and ascertain from time to time whether or not the "call" has actually been issued. It is proper that the banking house selling such a bond should itself keep track of this matter, and notify its customer in case of a " call " being issued affecting any of his securities, and many bankers try conscientiously to do this; but in spite of their best efforts " calls " are apt to pass unnoticed (and if so, no blame should be placed upon them), so it is wise for each holder to protect himself in this regard.

Call Loan. See " Demand Loan."

Call Money. See " Demand Loan."

Call of More. As no one unfamiliar with the meaning of " call," or " put-and-call," would be likely to wish an understanding of " call of more," it seems sufficient to quote Mr. Higgins's explanation as given in his London published book, " The Put-and-Call," although he uses rather technical language:

" The premium paid for the right of *calling* or *putting* stock at some future date, at a stipulated price, is sometimes included in the price at which a transaction is done, for the same date, in firm stock. Thus, a ' giver ' of option money will buy a certain amount of stock firm for delivery, *e. g.* two months ahead, at a figure sufficiently over the current market price for that period to carry with it the option of *calling* a like amount at the same price. This transaction in options is known as buying stock ' call of more.'

" The ' put of more ' is the same kind of optional transaction, in the other direction. The giver sells stock to the taker under the market price with the privilege of being able to sell him another like quantity of the stock at the same price at the end of the option period. In these cases, the difference allowed between the market price and the price fixed upon is regulated by the market value of the option in question at the time of dealing.

" A stock may be *bought* call o' more or *bought* put o' more: in the former case the buyer is ' giving option money,' and in the latter he is ' taking option money.' In like manner if A sells to B stock call o' more, the option to *call* rests with B, and A is ' taking option money.' If A sells stock to B put o' more, he is giving the option money and has the right to *put* on B.

" The price given for the firm stock may carry the right to buy twice, three times, or any number of times, the amount of the firm stock dealt in; the options being termed ' call of twice more,' ' call of three times more,' etc., or, in the selling direction, ' put of twice more,' ' put of three times more,' etc. . . . Such fancy options, however, are not very frequently indulged in."

Call o' More. See " Call of More."

Calumet. Calumet & Hecla Mining Co. (Copper.)

Cambist. One who deals in "exchange;" a person posted upon "foreign exchange" and the values of the moneys of different countries.

Can. Pac. Canadian Pacific Railway Co.

Capel Court. This is explained under "Lombard Street."

Capital. As understood in commerce, "capital" is money, or its equivalent which may be exchanged for money without lessening the earning capacity of the enterprise in which it is invested. Manufactured goods are "capital" in the hands of the manufacturer. But in the language of the investment dealer, "capital" represents all the money invested in an industry, but more particularly that part represented by stock issues.[1]

Capital Account. The question often arises as to the proper account to charge expenditures made upon a property; that is, whether such expenditures properly should be paid for out of the earnings of the company — charged to "operating expense" — or whether they may be considered as actual improvements, and, therefore, paid for from increased capitalization. If the latter case, it should be definitely ascertained if such expenditures will increase the actual earning capacity of the corporation. To exhaust this subject by numerous illustrations which would be necessary, is not feasible here. One example must suffice. If a railway replaces a wooden station with a brick station, but thereby not increasing the earning capacity of the road, such an expenditure represents a "replacement" and should properly be charged against the earnings of the property; but if the same road builds a side-track into some manufacturing plant, which results in increased business to the property, such an expenditure is an "improvement" and may be properly paid for by increased capitalization, although, of course, many railroads would pay for such an item as this directly out of the earnings, pursuing an ultra-conservative course.

Capitalist. One who possesses considerable means which may be used in his own business or invested in the enterprises of others.

Capitalization. For the purpose of this work, this subject has reference to the stocks and bonds which a corporation has outstanding.

Simplicity in "capitalization" is always to be commended, and the simpler form the less likelihood there will be of the

[1] Conant says, "Capital includes the whole aggregate of exchangeable things capable of ministering to production or fulfilling the desires of men."

Another writer puts it, "Capital is wealth which is devoted or intended to be devoted to the production of fresh wealth." — "*Economic Method and Economic Fallacies,*" *W. W. Carlile.*

need to call the " doctors of finance " in the shape of a " reorganization committee." A simple " capitalization " is one class of stock and perhaps a single issue of bonds, if desired — secured by a " first mortgage." This does not argue that there are not securities of corporations with nowhere near this simple " capitalization," which are not sound, for there are hundreds of such which are extremely safe, but these are very largely the outgrowth of this resourceful and rapidly growing country. Many of the older corporations did not adequately provide for this growth in their first " capitalization," and newer and more complex issues had to be brought out to provide legitimate funds for the company's increased demand for business. The advice at the beginning of this paragraph is for new companies forming. " Capitalize " simply, and look far enough ahead so that enough of all issues may be authorized to meet any demand for increased service.[1]

Capitalization of Earnings. The issuing of securities based upon a corporation's earning ability; the issuing of securities upon which reasonable rates of interest or dividends can probably be paid from earnings, rather than making such issues equal in face value to the actual value of the property.

Capital Liabilities. Generally speaking, the total bond and stock issues of a corporation.

Capital Stock. See " Stock."

Capping. In financial matters, the methods adopted by one in the employ of a " bucket shop," who encourages business for his employers by apparently placing orders with them and encouraging others to do the same; his orders, of course, being entirely fictitious and never put through the books of the concern.

Car and Foundry. American Car & Foundry Co.

Care of Securities. Every reasonable precaution should be taken against the loss of a security, either by theft, fire, or whatever the case may be, and no better precaution can be taken than by the rental of a box in some Safe Deposit Company. There is no recorded instance of an effort to break into a modern safe dèposit vault. The physical obstacles offered by the construction are too great. There are

[1] One of our leading educators recently said: "There are usually two foundations for the capitalization of a business corporation. The first is the money actually paid for the property or plant; the second is the earning power of the plant and the organization. Both these foundations may be real and solid at any given amount, but both are liable to grave changes. Most plants deteriorate or waste, and constantly require partial replacement. Earning power may be unexpectedly either increased or diminished by natural causes, or by bad management or fraud. Injudicious or unfaithful directors may fail to maintain the value of a plant, or may sell earning power to other corporations or to partnerships or individuals."

a great many who think they cannot afford this; but in the long run it is to prove a very cheap method of insurance. The keeping of one's securities in the ordinary safe in the house, store, or office, is practically no protection at all against the present day scientific burglar.

Again, many safes do not give proper protection in case of fire. The keeping of securities in concealed places, like in some old stocking or under the bricks of the hearth, is likewise unsafe, especially in case of fire, and the urgent advice of securing the rental of a safe deposit box is here repeated.

In any event, have a complete list of your securities and keep the same in a different place from that in which the securities themselves are kept — in an entirely different building — so that if the securities are destroyed by fire, the same fire will not be likely to destroy the list. This list should be a fairly complete description so that in case of loss the securities can be so completely described as to fully identify them. It should give, in each case, the name of the security, the number it bears, if any, the date of its issue, the face value, the rate of interest, when due; and it will be valuable to take additional description, such as when interest is payable, of whom bought, etc. All this information is valuable, as it may also save a trip to one's safe deposit vaults to obtain information regarding some particular security, which may be wanted for other reasons than in case of identification on account of loss. For instance: certain bonds may be "called for payment" and it is often necessary to know if one holds any of the numbers called.

There are small books issued, with ruled pages, with blank spaces and printed headings, by the use of which an investor will be guided in taking all the information necessary. In event of loss of a security, notify immediately the corporation issuing the same, also the banker from whom it was purchased, giving in each case a complete description of the security.

If it is a municipal bond, notify the municipality and the banker.

If it is a Government Bond, see that subject.

If it should be a mortgage upon real estate, bring the attention of your lawyer to it without loss of time.

(See "Bond of Indemnity.")

Car Lots. The daily record of grains received and inspected at Chicago.

Car Mile. The travel of a car one mile. It is the unit of a car movement employed in all relations that have to do with cost and service rendered.

Carry. To furnish the money. A man asks his broker to "carry the bonds two days" for him. If he agrees, the broker understands he will not be paid for the bonds until the expiration of that time, but in the meantime he gets no additional " promise to pay " or security on the part of the customer. In this case it is more or less of an accommodation to the customer; it is simply a delayed delivery on a contract to buy. In a " joint account " (see that subject) one of the parties may agree to " carry " the bonds until sold, receiving certain special compensation therefor, but having no other security for furnishing the money than the bonds themselves.

" Carry " is a word very commonly used in financial matters with many slightly different applications, but the above should be sufficient to make its meaning understood, however used. (See next subject.)

Carrying Charges. (See " Margin.") The interest charged by brokers for the amount of money advanced by them to customers in marginal transactions. Also a Chicago Board of Trade term indicating storage rates, interest, and insurance on grain or provisions.

Carrying-over Day. Same as " Contango Day."

Carry-over. This has reference to the arrangement (one or all) for delayed deliveries as explained under " Contango."

Cartel. A term used in Germany with much the same significance as our use of the word " trust," in relation to control of competition between rival firms, the limiting and allotting production in harmony with the normal requirements of the market, etc.

Car Trust. A corporation formed for the especial purpose of purchasing railroad rolling stock and leasing the same to operating companies. In effect, the rolling stock is actually sold to the operating company, which pays for it by piecemeal, in the form of a rental, the cars, etc., becoming its property when final payment is made.

Securities are often issued by " car trusts " secured by the equipment leased, the rentals as received going to reduce the indebtedness. Precautions to be taken in such an investment are set forth under the last paragraph of " Equipment Trust," all of which subject read.

Car Trust Certificates. See " Equipment Trust."

Cart-wheel. A United States silver dollar.

Cash. Delivery of the security sold before a certain fixed hour upon the day the contract is made.

A sale for " cash " usually means for immediate delivery and payment (stock exchange rules) or, better, simultaneous delivery and payment, but among merchants payment in a certain number of days (say ten) is reckoned as " cash."

To " cash " a piece of negotiable paper, as a check, is to give the holder money for it.

"Cash" is the name of a coin in use in China, some of which nearly every one must have seen, at least in the shape of a curiosity. They are round pieces of metal nearly the size of our old-fashioned cent, with a square hole in the centre, which is to permit of their being carried on strings, from which rises the expression, "a string of cash;" the number being required to make a "string" varying from 500 to 1,000, according to the locality. The value of these coins has fluctuated greatly within recent years, due probably to the fact that the mints run by the provincial rulers in China, and under no imperial control, are turning them out in large quantities and at large profits."[1]

On Feb. 10, 1914, a new monetary system was introduced into China. The following explanation of this system is from the United States Daily Consular and Trade Reports of April 3, 1914:

"The new system contemplates the coinage of currency that will be substituted for the various and sundry coins and sycee which are now in use as currency and which also represent the basis of the various issues of paper currency by the several Chinese Provinces. Under the mandate only the Central Government at Peking can now mint coins. The new currency will be on the decimal system; the unit will be the yuan, or dollar, which is to be of 72 candaroons of 90 per cent silver and 10 per cent copper; the actual quantity of pure silver is fixed by the mandate at 23.97795048 grams. The four silver coins are the yuan, the half yuan, the 20-cent piece, and the 10-cent piece. There will be one nickel coin, the 5-cent piece, and five kinds of copper coins — the 2-cent, 1-cent, 5-li, 2-li, and 1-li pieces. The values are in decimal progression; one-tenth of a yuan is the chio, or 10-cent piece; one-hundredth of a yuan is the fen, or cent piece; one-thousandth of a yuan is a li. The half yuan will contain 70 per cent of pure silver and the other silver coins the same. The half yuan will contain 9.583777 grams of pure silver, the 20-cent piece 3.72990248 grams, and the 10-cent piece 1.86495124 grams.

"By the terms of the mandate the yuan is legal tender to any amount and the 50-cent piece up to $20; the 20-cent and 10-cent pieces are legal tender up to $5, while nickel and copper coins involved in one transaction shall not exceed $1. It is provided, however, that "these restrictions shall not apply to the payment of taxes and to exchange in the national banks." Until the circulation of the old coins is prohibited by a "provisional order," Government offices will accept them in payment of taxes at a rate of exchange based on the average of the exchange rates for the previous month. No greater variation than three one-thousandths will be permitted

[1] Daily Consular and Trade Reports February 7, 1907.

between any coin and its theoretical standard. A date will be fixed when the existing coins will cease to be legal tender, and as the old coins are retired they will be reminted. Free coinage of silver bullion into yuan pieces will be carried on by the Government at a seigniorage charge of 6 li per yuan, or six-tenths of 1 per cent. The system has been adopted with a view to establishing a uniform system for the present and as a step toward the establishment of the gold standard when China is in position to undertake that action. At present all authorities agree that such standard is impossible."

In the U. S. Com. Reports Sept. 14, 1916, is the following: "According to Sec. V of the Nat. currency law the complete weight of the 50-cent piece is 3 mace 6 candareens, while the relative weights of silver and copper are 7 to 3. The complete weight of the 20-cent piece is 1 mace 4.4 candareens; the relative weights of silver and copper, 7 to 3. The complete weight of the 10-cent piece is 7.2 candareens; the relative weights of silver and copper 7 to 3."

Cash Account. This is the account headed "Cash" in bookkeeping, under which all cash items received shall be placed upon the debit, or left-hand side, and all items of cash paid out, upon the credit, or right-hand side. The amount of cash on hand should always represent the difference between the footings of these two sides. "Cash" includes metallic money, bank bills, legal tender notes, checks, or other representatives of money. As it is impossible to pay out more cash than is received, it is clear that the credit side of the account will never be greater than the debit side, although it may equal it.

Cash Assets. Actual money on hand or within easy reach. Property quickly convertible into money is often included.

Cash Book. One of the account books used in bookkeeping, and one of original entry. In it are directly entered every transaction involving receipts or expenditures of cash, with a full explanation of each item. It is customary among many bookkeepers to balance this book at the close of each business day. The balance at such times should equal the amount of actual cash on hand.

Cash Dividend. A dividend paid in money or its representative, in contra-distinction to a "stock dividend," to which refer.

Cash Grain. Grain for delivery at once. "Spot Grain" has the same meaning.

Cashier. In banks or financial institutions, primarily the one who has charge of the cash or securities. This title is most commonly used in connection with national banks, but seldom in the case of savings banks. The "cashier" of a national bank is an extremely important man, as he is the head executive officer, having direct charge of all the work of the bank, and to him are responsible all the bank's employees.

He usually signs checks, statements, and various other papers of the institution; buys and sells exchange to a very large extent; he may discount paper and pass upon collateral securities. He must have every detail of the bank's condition at his fingers' ends, and be in a position to answer questions upon almost any subject in connection with the bank's affairs at any time. He acts as secretary whenever the directors' meetings are held, and, in general, is the most important active man in the institution.

Of course the customs of various banks differ. In some the president, possibly the vice-president, may take very active parts and take over more or less of the work usually done by the cashier, but the above fairly describes a cashier's duties and responsibilities.

Cashier's Check. A check drawn by a bank against itself, and usually signed by its cashier — if it has an officer with such title — payable when presented at the bank drawing the same. Such a check is commonly used by a person whose own check, for the purpose desired, would not be so readily accepted as the check of some known bank. A "cashier's check" may be used by a person not having a bank account, and, therefore, unable to draw a check of his own. Any such person may obtain a "cashier's check" at a bank by paying an equivalent in cash; the bank, possibly, making some slight charge for the accommodation. This check is also used by the bank itself in paying for securities, bills of exchange, in discounting notes, and generally in payment for supplies, expenses, etc., also for dividends to shareholders; but for this purpose a special form may be used. A check drawn by one bank against another in a distant place, in which it has a deposit, is not a "cashier's check," but "New York funds" (or money), "Boston funds," etc., depending upon the city in which the latter bank is located. The charge in this case is largely dependent upon the rate of "exchange" at the time upon the point against which the check is drawn.

Cash Surrender Value. See "Surrender Value."

Castings. Copper, which, from impurities, is defective in strength and electrical conductivity, but which can be used in making castings for ordinary purposes where great strength or electrical conductivity is not required.

Cats and Dogs. Low grade securities; those of uncertain value; securities which do not belong in the investment class, but are highly speculative.

Cattle Paper. A note that is secured by a mortgage on stock cattle, or cattle in the feed lot; that is, cattle which are being prepared for the market either by the producer or breeder, or by the feeder who takes developed cattle and fattens them. These notes are almost invariably secured by a mortgage on the cattle, and are not usually " discounted " (see that subject), but with interest running from date. A chattel mortgage securing the note includes, in some cases, the corn which is being fed to the cattle. Strictly speaking, " cattle paper " would not include a note secured by a mortgage on dairy cows. These notes are mostly made by banks situated in, or tributary to, the grazing section of the country.

Caveat. In the financial sense, a notice to stop payment.

Caveat Emptor. "Let the buyer beware," *i.e.*, the buyer takes his own risk.

Cements. A term frequently used in London to designate the ordinary shares of the Associated Portland Cement Manufacturers.

Cent. The smallest coin in value of the United States, containing 45.60 grains of fine copper and 2.40 grains of tin and zinc. Legal tender in amounts not exceeding 25 cents.

Cental. One hundred pounds weight, avoirdupois.

Centavos.[1] Subsidiary silver coins of the Philippine Islands of the following denominations:

50	Centavos	of	the	weight	of	208 grains
20	"	"	"	"	"	83.10 "
10	"	"	"	"	"	41.55 "

All the above to be, by weight, 900 parts of pure metal and 100 parts of copper alloy. One hundred centavos equal 1 peso, which in turn equals 50 cents in our money. One centavo is equivalent to ½ of our cent.

Minor coins of copper, metal, etc., of lesser denominations than the above are also in circulation.

Centennial. Centennial Copper Mining Co.

Centime. The smallest French coin, the one hundredth part of a franc, and equivalent to about one-fifth of a cent in United States money.

[1] In December, 1906, owing to the rise in the market price of silver, the silver coins of the Philippines were changed. This was necessitated by the fact that the pure metal in the previous standard was worth more in the market than the face value of the coins, making it an object to melt up the coins and sell the silver as bullion. As a result the subsidiary coinage was changed, thus:

50	Centavos	of	the	weight	of	154 32 grains
20	"	"	"	"	"	61.728 "
10	"	"	"	"	"	30.864 "

All the above to be by weight 750 parts pure metal and 250 parts copper alloy.

For the foregoing, I am indebted to Frank McIntyre, Captain 19th U. S. Infantry, Assistant to Chief of Bureau of Insular Affairs, Washington, D. C

Central Reserve Banks. National banks located in New York City, St. Louis and Chicago. (See "Central Reserve Cities.")

Central Reserve Cities. Certain of the largest cities in the United States in which all "member banks" in the "Federal Reserve System" are obliged to maintain a certain percentage of "reserve" upon their deposits. Such banks may act as "reserve agents" for "member banks" located in what are known as "reserve cities" and "undesignated cities." (Refer to subjects in quotations.)

On Jan. 1, 1917, the "Central Reserve Cities" consisted of New York, Chicago and St. Louis.

A better understanding of this whole subject can be had by reading the Federal Reserve Act, to be found at the end of the book.

Certificates of Beneficial Interest. See "Beneficial Interest."

Certificate of Deposit. An acknowledgment in writing given by a bank that it has received from the person named a stated sum of money on deposit.[1] As a rule it draws interest, and may be either made payable on demand or at a specified time. If John Smith holds a "certificate of deposit" he cannot secure the money given over to the bank by drawing a check against it, but, instead, must either present his "certificate of deposit," or it may be presented by some one else after being properly indorsed by John Smith.

Savings bank-books are to all intents and purposes certificates of this kind.

Some banks reserve the right in their "certificates of deposit" or bank-books, to demand a certain notice, say sixty or ninety days, before payment. This right, however, is very seldom exercised except in case of money stringency or impending financial disaster.

Certificates of this nature may be used to transfer funds from one point to another, the same as a money-order or a cashier's check. The certificate may be issued directly to the party depositing the money, and by him made payable by indorsement to whomsoever he wishes, or may be drawn directly to the party to whom it is wished to transfer the money. It must be borne in mind, however, that whoever receives the certificate must present it in person before he can receive the money, or forward it properly indorsed for collection. In case a partial payment is desired upon a "certificate of deposit" the old one is cancelled, and a new one issued for the balance due.

[1] The Courts of California declare a "certificate of deposit" to be a negotiable instrument and in substance and effect the same as a "promissory note."

A simple form of "certificate of deposit" is as follows:

CERTIFICATE OF DEPOSIT.

DARTMOUTH TRUST COMPANY

No. . . . . *Boston, Mass. . . .* 19 . . $ . . . .

This is to certify, That there has been deposited with this Company . . . . Dollars payable to . . . . or order in current funds, with interest at the rate of . . . per cent. per annum, upon surrender of this Certificate.

Countersigned DARTMOUTH TRUST COMPANY.

. . . . *By* . . . .
Teller. *Treasurer.*

A "certificate of deposit" may also be issued by, say, some trust company as a receipt showing the deposit of some security under a plan of reorganization or some such matter.

Certificate of Incorporation. When it is desired to form an incorporated company, a paper called a "certificate of incorporation," or one having a similar title, must be filed with the Secretary of the State under which it is desired to incorporate. Such papers, in their requirements, vary in the different States, but in general must give about such information as follows:

Names of the officers and the majority of the directors, name of the corporation and the purpose for which it is constituted, the location of the principal place of business, the kinds and amount of stock, the day of the first meeting, a copy of the articles of agreement, etc.

Certificate of Indebtedness. Simply a floating indebtedness in more or less of a fixed form. Let us take the example of a corporation which wishes to borrow some large sum of money — a million dollars or more — for some definite period, say one year. It not being, perhaps, possible to make one loan to cover this sum, the amount may be divided into smaller notes of $5,000 or $10,000 denominations, and placed among different holders. Such a security might bear the title of "certificate of indebtedness." It is nothing more than a "promissory note." In case of failure on the part of the company to pay the same the holder has no recourse except application for a receiver.

United States Certificates of Indebtedness are in effect promissory notes of the Government.

Certificate of Stock. See " Stock Certificate."

Certificate of Trustee. Explained under " Trustee."

Certification. See " Certified Check."

Certified. Any fact which has been vouched for in writing. The expression is often seen, " the issue is (has been) certified to by," and then naming some trust company. The meaning of this is that the company which is named in the mortgage as trustee is not supposed to allow the bonds to be issued until all the provisions in the mortgage leading up to the issue of the bonds have been fulfilled. There is, as a rule, a printed form on each bond, to be properly signed by the trust company as the last necessary act before the actual delivery of the bond, and which makes it a binding obligation upon the corporation issuing the same. This is only in the case of a corporation issue and not necessary in relation to a municipal bond. (See also " Certified Check.")

Certified Accountant. See " Certified Public Accountant."

Certified Check. A check across which some competent bank officer has written, or stamped,[1] over his signature, satisfactory evidence that the person having drawn the check has sufficient funds on deposit at the bank to pay it when presented. Such a check takes precedence over other checks, not " certified," drawn by the same person, and at the time of " certification " the amount of the check is deducted from the funds to the credit of the depositor. " Certified checks " are very much in use as safeguards, and in financial transactions it is desirable, if a payment of a considerable sum is to be made by check, to present a " certified " one. A " certified check " may be returned to the bank and cancelled if not used. The certifying of a check is not obligatory upon a bank, but an act of accommodation. After certification, a bank may be held for payment (except in case of a " raised check "), but no other parties thereto, unless the certification was obtained by the one who drew it.

To obtain a check of this kind, draw, in favour of the party to whom you wish to make payment, a check against your bank in the ordinary form, and either present it in person or by messenger to the bank, with the request for certification.

Many banks have pursued the policy of " over-certifying; " that is, certifying a check for a greater amount of money than the depositor has to his credit, as a matter of accommodation, the understanding being that it is to be for a very brief period, the depositor making good the deficit some time during the

[1] There are various forms of wording used for the stamping on a check for this purpose, such as, " Good when properly indorsed," " Good through the Clearing-House," " Accepted," etc., to which, of course, must be added the date and the official signature.

day. This is not strictly proper banking. In fact, it is prohibited for national banks to "over-certify" a check.

Certified Public Accountant. One who has passed an examination (in certain States) and received a certificate authorizing him to use the title "Certified Public Accountant," or the initials "C. P. A.," which signifies that he is qualified, by the test of that State, to perform such duties as set forth under the subject "Auditor."

In Great Britain "chartered accountant" has the same meaning."

CH. The "ticker" abbreviation for "Stock Exchange Clearing-House."

Change. Stock exchange is the meaning in this country.

Charged Down (or Charged Off). Reducing the "book value" of a property in accordance with the market value at the time is called "charging down;" for example, a banking house owns $100,000 worth of bonds, which, since purchase, have declined in salable or market value five per cent. below the original cost. In order that the banking house may not be deceiving itself in its bookkeeping, it reduces the value of these bonds by $5,000, charging the amount of such reduction against any profits which it may have, and the $5,000 is the amount "charged off." This method of "charging down" is pursued not only in the case of securities where a loss is incurred, or merchandise owned, which may have depreciated, but in the case of a manufacturing corporation a certain proportion each year of the value of the machinery, or, in fact, anything subject to wear and tear is "charged down."

Charge Ticket. (See "Bank-Book.") Also a form or blank used among "clearing-houses."

Charter. A governmental or State grant of certain powers and privileges to a company at the time of its incorporation. A railway company must obtain a charter before it can have legal existence.

Also the engagement of a vessel to carry grain to a certain point at a fixed rate.

Charter Bonds. United States Government bonds legally required to be deposited with the Treasurer of the United States before a certificate of authority will be issued for the bank to begin business.

Chartered Accountant. The same as an "auditor," to which refer; only a "chartered accountant" is one officially authorized to do such work, and is an English title for one who holds a charter from the "Institute of Chartered Accountants."

Chartered Public Accountant. See "Chartered Accountant" and "Auditor."

Charter Number. Each national bank, at the time of beginning business, is assigned a certain number by the government which is expected to appear on all its stationery, called its "charter number." This number always appears on a bank's circulating notes.

Chasing Eighths and Quarters. Used in reference to one satisfied with small profits.

Chattel Mortgage. A mortgage on personal property, movable goods, or live stock, and given to secure a debt or promise in much the same manner as is a mortgage upon real estate. A mortgage of this kind should be "recorded" the same as a mortgage on real estate. (See "Mortgage" in relation to fire insurance and recording.)

Chattels. Movable goods of all kinds; live stock, household furniture, and property other than real. (See "Real Property.")

Cheap Money. Low interest rates; *i. e.* money can be hired at a low rental.

Check.[1] A written order by a person having money, or the equivalent of money, in a banking institution for it to pay, on demand, during banking hours, a stated sum to the person named in the order, or to whomsoever that person may in turn, by proper indorsement (see "Indorse"), direct it to be paid. As strange as it may seem, there are a great many people who know comparatively little about drawing a check, and who do not take proper precaution in so doing.

The two common forms of checks are as follows:

Keesville, N. Y., Jan. 2, 1921. No. 611.

The First National Bank

Pay to the order of Charles King ________________ $75.00

Seventy-five ________________ $\frac{00}{100}$ Dollars.

Richard Ordway.

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[1] By statute a "check" is a "bill of exchange drawn on a bank and payable on demand."

Keesville, N. Y., Jan. 2, 1921. No. 207.

The First National Bank

*Pay to the order of Frank Yeaton*______________________*or bearer* \$125$\frac{75}{100}$

*One hundred twenty-five*______________________________$\frac{75}{100}$ *Dollars.*

Richard Ordway.

The first form of check is practically the only one now in use, for in the second case, the check is good in the hands of Frank Yeaton, or in the hands of any one else, without Yeaton's indorsement; therefore, care must be taken not to lose it. A check of the same character may be drawn by making it payable to " cash " or " currency," and using the first form. To deposit a check drawn in this way the bank should require the indorsement of the depositor, so, in case Richard Ordway, the " maker " of it, is not good for the amount, then the depositor who indorsed it can be held responsible. The first form of a check is only good in the hands of Charles King, unless he signs his name upon the back, in which event it is payable to any one holding the check, unless it is suspected of being in the hands of a thief. A check, however, made payable to " cash " or " bearer " is good in the hands of any one, always excepting the thief, without indorsement upon the back. In filling out the blanks, as in the case of, " Pay to the order of Frank Yeaton, or bearer," it is better to fill in all the remaining part of the blank with a wavy line, so that no additional writing can be inserted; the same, and more particularly so, in the blank in which the amount is filled out. For instance, it would be very easy, if a check were drawn for fifty dollars to insert " two hundred " before it, making it " Two hundred fifty dollars," if there had been sufficient room left without any wavy line being filled in. The better way is to begin the writing of the amount, and the name of the person to whom the check is payable, as far to the left as possible, in the spaces left for their insertion, filling up the remainder of the spaces with wavy ink lines.

When a check, in the hands of a dishonest person, is increased in amount, by changing or adding figures, it is said to be " raised." In the corner of the check the amount should be in figures and agree with the sum preceding the word " dollars," which sum should always be in written words, not figures. If the amount in figures does not agree with the amount in writing, and the bank at which it is presented for payment is unable to communicate with the person who wrote the check to ascertain which amount is correct, it pays the latter amount. (For information regarding " indorsing checks for deposit," " in blank " and all facts relating to " indorsing," see matter under " Indorse.")

It is a very common practice among people not familiar with business affairs, to hold checks in their possession without presenting for payment for a long period, thinking, possibly there is no need of cashing them until the money is actually needed. This is wrong for several reasons: First, it is an annoyance to the person who drew the check, if it happens that he desires to balance his bank-book in the meantime; Second, in case of financial failure on the part of the person who drew the check, after drawing of the same, the holder of such a check would not have any claim for payment in case other checks should have been presented and paid in the meantime; that is, he would not have prior claim to such checks, although his was drawn before those, for the law would hold him negligent; Third, in case of the failure of the bank itself, the holder who has delayed the presentation of a check an unreasonable time will suffer the loss even if the drawer of the check has funds to meet it in the bank at the time of failure; Fourth, a most important reason, *i. e.* to hold the " indorser " or " indorsers." A holder of a check should present for payment or forward for collection without loss of time; in no event beyond the second day after its receipt, and all who are parties to the collection thereto should send it along on its course for collection the day received, Sundays and holidays excepted. The only exception thereto may be that of the case of the bank which receives it for final collection which may postpone presentation till the following business day, if received after banking hours.

The law expects checks to go forward in their usual course for collection without unnecessary delay, and any delay is entirely at the holder's risk. Again, a bank may hesitate to pay a check long since dated, on the supposition that it may have been lost and the liability discharged by another check, or in some other way.

Should there be checks outstanding and not presented for payment at the time of the death of the one who drew them, in most of our States such checks would cease to have value and should not be cashed by the bank upon which drawn. However, ignorance of the death of the depositor would protect the bank in case of cashing such checks.

Do not date a check so far ahead that it may be presented for payment prior to its date, as such a check should not be paid by the bank when so presented. In England it is illegal to " post date " a check.

If a check comes into the holder's possession without being dated, and the date of its execution is not known, he may insert the date upon which it is received by him.

A bank is not bound to pay checks in the order in which they are drawn, but may pay them in the order presented, even although the aggregate amount of the checks outstanding may exceed the depositor's account, and some of the earlier drawn checks may happen to be presented after subsequently drawn checks, and thus at a time when funds are depleted. (See " No Funds.")

Checks should be numbered, likewise the " stub." (See " Check-Book.")

Always sign a check as nearly as possible like the signature as originally entered upon the signature book of the bank.

If, in drawing a check, an error is made, do not attempt to correct it; remove the check from the book, destroy the check, taking particular care to mutilate the signature if it has been attached, and then, in large plain letters, write the word " Void " across the stub. Emphasis is laid upon making no attempt whatsoever at correction in a check.

If one wishes to draw a check for a sum less than $1.00, some extra precaution should be taken so that the amount — which really represents cents — shall not be changed, in the hands of a dishonest person, to mean dollars. One good method is to insert in the blank in that part of the check preceding the word " Dollars," " Only sixty cents," for example, finishing out with a wavy line, and lining out " Dollars." It would be a difficult matter to make " Only sixty cents " read as " Sixty Dollars." Stamps are often used across the face of a check, the words either being in ink or cut through the check, showing that it must not be cashed in excess of a stated amount, as, for instance, in the above case, " Not Exceeding $1.00."

If, for any reason, the drawer of a check, after issuing same, wishes to stop its payment, he has simply to notify the bank to that effect, under which circumstances it is incumbent upon the bank to refuse payment, letting the holder collect his claim in any way he can. If notice is given in writing to stop payment, a description of the check, such as date of issue, number, to whom drawn, and amount, should be given.

Should a bank pay a check upon which an indorsement has been forged and so make payment to an improper holder, the bank must make the amount good to the real owner.

The check is always a good receipt as evidence of a payment, and, therefore, all checks should be preserved and properly filed as described under " Check-Book."

It is interesting to note that the Wall Street Journal states that 95% of the current bank deposits are in checks and only 5% in money; that for the last fifty-two years the only balances paid in cash at the New York Clearing-House have averaged 4.74% of the clearings. It would appear from these statistics that at least 90% of the business of the country is conducted by the use of bank credits.

Check-Book.[1] A depositor in a national bank, trust company, or any other "bank of deposit," is provided by the bank with a book of checks, by which means the money deposited may be withdrawn. This book contains blanks which the depositor fills out and signs, and which then become orders upon the bank to pay a stated sum of money to some person designated in the check, or to his order, the amount so paid to be charged against the depositor's account. (For more information regarding this subject read carefully the matter under "Check.")

The depositor should also use this book as a method of keeping track of all his transactions with the bank. The check itself can be detached from what is called the "stub," that is, the portion of the leaf which is bound into the book permanently. On the stub he enters, in a blank to be found for the purpose, practically a duplicate of what is filled out upon the check itself. Each check should be numbered, as well as the stub, the two always agreeing. On the stub, such additional information is entered, as the purpose for which the check was drawn, etc.

On the reverse side of the stub will be found a blank in which should be entered all deposits; the date, the nature of the deposit, and the amount. After the drawing of a number of checks, depending upon the arrangement of the book, which will be easily understood by examination, the total of such checks is deducted from the sum on deposit, and the amount left carried forward to the top of the back of the next stub. This process being repeated from time to time enables a depositor to easily determine just the sum of money in the bank to his credit. As a matter of precaution, it is always well to fill out the stub before drawing the check. This habit, persistently adhered to, will prevent the possibility of a check being drawn without any record being retained of it.

As checks are a good proof of payment it is most important that they be kept in some manner for convenient reference — no slipshod method should be tolerated. A good way is to paste each check to the edge of its corresponding stub after the check-book has been exhausted and the checks returned.

[1] In this connection, it would be well to turn to "Bank Account," and "Bank-Book."

On the outside of the cover paste a slip of paper with the information as to date of first and last checks drawn and numbers contained therein.

Check Collections. See " Collections."

Checking Out. See " Overdraw."

Cheque. The English spelling for " check."

Cheque Bank. An English institution which formerly issued checks to persons desiring to remit money to a distant point. A postal money-order or express money-order in this country serves the same purpose.

Further functions of this institution were as set forth by one well-known financial writer as follows:

" The Cheque Bank proceeds on the new principle of issuing cheques which can be filled up only to limited amounts, as shown by printed and indelible perforated notices upon the forms. These cheques, too, are only to be had in exchange for the utmost sum for which they can be drawn, which sum is retained as a deposit until each corresponding cheque has been presented. It follows that each cheque, when duly filled up and signed by the owner, is as good as a bank-note issued against a documentary reserve."[1]

Chicago Board of Trade. See " Board of Trade of the City of Chicago."

Chicago Junction. Chicago Junction Railways & Union Stock Yards Co.

China — Money of. See " Tael " and last part of " Cash."

Chopped. The Mexican dollar, which is in current use in China, before it is accepted by the people, must be stamped or " chopped " by some well-known mercantile concern or local governor, as a voucher for its weight and fineness. Many of the United States trade dollars, which were returned for redemption in 1887, bear these Chinese stamps.[2]

C. I. F. Charges, insurance, and freight paid or included.

Cipher Code. A method used in telegraphing or cabling, by which one word may be interpreted, by the use of a key, to mean several words or an entire sentence, thus not only reducing the cost of the message, but at the same time enabling the contents of the message to be kept secret, supposing a private cipher code to be used. There are, however, many codes upon the market which are in general use: but the sender of a message in such a code should refer to the name of the code used as the first word in his message, unless it is understood between the sender and the receiver the particular cipher code from which the message was compiled.

[1] " Money and the Mechanism of Exchange," Jevons.
[2] Muhlman's " Monetary Systems of the World."

Circular. See " Prospectus."

Circular Letter of Credit. See " Letter of Credit."

Circulating Note. A bank-note or other paper money.

Circulation. See " National Bank Notes."

Circulation Per Capita in the United States. The actual metallic and paper money in circulation, as shown by the United States Treasury Department, beginning with the year 1800 is given a place here (ten vear intervals only, however, are selected).

1800 — $4.99	850 — $12.02	1890 — $22.82
1810 — 7.60	860 — 13.85	1900 — 26.94
1820 — 6.96	870 — 17.50	1910 — 34.33
1830 — 6.78	880 — 19.41	1920 — 57.09
1840 — 10.91		

City Clearings. First understand the matter under " Clearing-House." " City clearings " cover that territory which is tributary to, or " clears " directly through, a given clearing-house.

City Collections. A bank terms its " city collections " its checks, etc., payable in the same city in which it is located.

City Item. First read " Item." This is used to designate a check, draft, etc., drawn against a bank in a certain clearing-house centre from one drawn against an out-of-town institution, the latter being referred to as an " out-of-town item."

C. L. Car-load lots.

Clean Bill of Exchange. (See " Documentary Bill.") One unaccompanied by documents. Very commonly a draft drawn by an exporter against funds to his credit in a bank abroad, in which event he has chosen to collect his own bill through some foreign banker. He may choose to make his draft payable at " sight," or in thirty, sixty, or ninety days, or may draw under a letter of credit in advance of the shipping of the documents, which are to be sent later.

Clear. To free from encumbrance. Bonds, stocks, or any securities, are " cleared " when the person who has contracted to purchase them pays for and receives delivery of the same. Or a broker, acting without sufficient capital, may purchase $50,000 bonds from Scott, and sell them almost immediately to Hall, making a profit or commission on the transaction. He is not able to pay Scott for the bonds and he, therefore, employs his bank, or possibly some other broker, to pay for and receive the bonds, and then make delivery to Hall; the difference between the purchasing and selling price, less the clearing charges, to be paid the first broker. This is called " clearing." At the time of purchasing bonds, a broker may say to the seller: " Jones & Co. will clear these bonds for me," meaning that the seller will make delivery of the bonds to Jones & Co. for the broker's account; the broker in the meantime instructing Jones & Co. as to the transaction.

Many firms make a specialty of "clearing" securities for other brokers, the usual charge for this work being about $3.50 for each 100 shares of stock or for each $10,000 in bonds.

The most common use of this term is in connection with the "clearing-house" (to which refer) system by which "to clear" is understood to pass through it; *i.e.* the collection of a check or other item through the medium of the association; or the general settlement for the day of a bank's accounts in this manner.

Clearance (or Clearances). Meaning the same as "clearings."

Clearers. An English term for the clerks who transact the "clearing-house" business for their banks.

Clearing-House.[1] Let us take Boston[2] for example. A given bank receives through its course of business each day

[1] The Supreme Court of Pennsylvania has defined a clearing-house after this manner: "It is an ingenious device to simplify and facilitate the work of the banks in reaching an adjustment and payment of the daily balances due to and from each other at one time and in one place on each day. In practical operation it is a place where all the representatives of the banks in a given city meet, and, under the supervision of a competent committee or officer selected by the associated banks, settle their accounts with each other and make or receive payment for balances and so 'clear' the transactions of the day for which the settlement is made."

The above is taken from James G. Cannon's most complete work on clearing-houses, from which the writer has obtained much valuable assistance, and to which the reader is referred for all information in relation to the "clearing-house" plan, and to forms of printed blanks used by the different associations. The writer is also greatly indebted to Charles A. Ruggles, the very able manager of the Boston Clearing-House, for many suggestions touching this subject.

Conant says, in "The Principles of Money and Banking": "The clearing system is a development of a principle of Roman commercial law know as compensatio — the setting off of a debt which one owes to another by a claim against him.

"This system attained a high degree of perfection in the Middle Ages at the fairs of Lyons. Under an ordinance of Louis XI. (March 8, 1463) four fairs were authorized at stated intervals in each year, each of which was followed by a day of settlement fixed at the fair next preceding. Every banker came to these settlements prepared with a balance-sheet of his debts and credits. Three steps were required in completing settlements; first, the acceptance of bills by those upon whom they were drawn. This was necessary, as Vigne points out, in order to determine what items could actually be cleared. Then came the comparison of accounts and finally the settlement in money, of which very little was ultimately required."

[2] Although Boston has been chosen as an example to set forth the clearing-house principle, it does not necessarily follow that the details are alike in the different clearing-houses of the country or the world. The principle, however, remains the same, there being no essential difference in the accomplishment of the exchanges.

a great many checks, which are payable at various other banks in the city. To collect all these checks by a process of presentation at each bank would be a slow and tedious affair. In order to simplify this process of collection, a "clearing-house" is established — a place where at a given hour of each business day some one person from each of the banks come together and there adjust the differences through the medium of the "clearing-house." Each bank's representative receives the checks against it, held by all the other banks, the total of which shows what that bank owes the "clearing-house." If the amount of the checks which this bank holds against others is greater in sum than the total amount held against itself, there is a balance due it from the "clearing-house," and, therefore, it is called a "creditor bank," and will be paid the sum due by the "clearing-house." If the aggregate amount of what it owes is greater than the amount of checks which such bank holds against the others, then it owes the "clearing-house," and it is a "debtor bank," in which event it must pay to the "clearing-house," the amount for which it is debtor. It will be seen, therefore, at the close of the "clearing-house" transactions for the day, that the total amount of debits will just offset the credits; the "clearing-house" merely acting as a medium for settlement.

An association of this kind is formed so that banks may avoid not only the tedious collecting of checks, drafts, etc., from bank to bank, but also the handling of such enormous amounts of money such a cumbersome method would necessitate, and the risk involved in so doing.

The value of the "clearing-house" plan may be appreciated by the fact that the "clearings" (*i. e.* the amount of the checks, drafts, etc., passing through the association) of New York City alone are estimated to have averaged for the past ten years over fifty-eight billions of dollars annually. Imagine handling in actual money such vast sums. It is many times more than the total money in circulation in the whole country. Up to September 1, 1905, there has passed through the New York Clearing-House since its inception in 1853 the enormous total of $1,703,425,193,728.60.

A good illustration of the economy in the handling of money is the case of a New York bank which recently "cleared" checks to the amount of more than $18,000,000, yet when the credits and debits were balanced the whole difference was evened up by a payment of only 12 cents.

The expenses of the "clearing-house" are shared among the banks, and a bank must be a member of the "clearing-house association" to enjoy its full privileges.

Trust companies may or may not be members of the association, according to the particular "clearing-house," and, in the latter event, they generally arrange to collect their own checks; *i. e.* "clear," through some bank which is; viz.: each will deposit its checks at some one given bank, which will put them through the "clearing-house."

Checks received by a bank in favour of one of its depositors drawn by another do not, of course, pass through the "clearing-house."

The "clearing-house" idea was adopted in England toward the end of the eighteenth century, and one was established in New York October, 1853.

There are (January, 1907) 110 of these associations in the United States, and new ones starting at frequent intervals.

(See also "Non-Member Bank.")

Clearing-House Agent. It is first necessary to understand the matter under "Clearing-House." The particular bank clearing for a non-member bank is the latter's "clearing-house agent."

Clearing-House Balance. (First read "Clearing-House.") The actual amount of money needed to settle the difference between the banks upon any one day is referred to as the "clearing-house balance."

This "clearing-house balance" namely the amount due the "clearing-house" from a "debtor bank," or the amount due from the "clearing-house" to a "creditor bank" is settled in different ways, according to the custom of the several "clearing-houses." First, it may be in part accomplished by the loaning of the balances between the banks themselves, for an understanding of which, see "Clearing-House Rates."

Second, settlement may be made by the manager of the "clearing-house" drawing checks in favour of the "creditor banks" against the "debtor banks."

Third, the use of "certificates," so-called, which are of two kinds:

a. "Clearing-house loan certificates" (to which subject refer).

b. "Clearing-house gold certificates" issued by the clearing-house (or similar certificates issued by a United States Sub-treasury), being receipts of denominations of $5,000 and $10,000 against gold on deposit, and acceptable only between members of the association. Gold equal in amounts to certificates outstanding is held at all times. Also called "clearing-house-certificates."[1]

[1] Formerly these certificates were issued against deposits other than gold, but such is not now the case, as will be seen by the following excerpt from a letter from Mr. James G. Cannon, author of "Clearing-Houses:"

"Certificates are never issued against silver. There have been times in the past when they have been issued against legal tenders, but that was

Fourth, by drawing a draft on a bank in another city. For instance, settlements at the "clearing-house" in Rochester, N. Y., might be effected by checks drawn on banks in New York City.

Fifth, gold coin, gold certificates and legal tender notes; but silver and silver certificates are only used under a mutual agreement among the members to make payments in amounts less than denominations of the gold coin or gold certificates.

In Boston, since the advent of the Federal Reserve Bank, "clearing-house balances" have been settled by checks drawn on the Federal Reserve Bank.

Clearing-House Balances. By reading the last subject, it will be seen that "balance" refers to a transaction between the "clearing-house" and one bank. "Balances" has reference to the amount necessary to settle the differences between all the banks "clearing" through a given association.

Clearing-House Certificates. See paragraph "b" under "Clearing-House Balance."

Clearing-House Gold Certificates. Certificates issued against a deposit of gold, as explained under "Clearing-House Balance," paragraph "b."

Clearing-House Loan Certificate. Issued by the "clearing-house" (it would be well to read that subject) to some member of the association, showing the deposit with the "clearing-house" of approved securities, such certificates being negotiable only between members of the clearing-house association. They are issued only during times of financial distress, and up to only a certain percentage of the face value of the deposited securities, say 75%. It is not likely, however, under the Federal Reserve Banking System, that the issuing of such certificates will ever again be necessary.

An instance was that of 1893[1] when the scarcity of actual money in Boston for the transaction of business was so great that a form of money had to be temporarily created.[2]

The banks had plenty of good securities on hand, but it was impossible to convert them into cash, as money was so scarce

a long while ago, and now their issue is only permitted against deposits of gold."

[1] The N. Y. Clearing-House first issued certificates in 1860, also during 1861, 1862, 1863 and 1867; again in 1873, 1884, 1890 and 1893.

[2] Cannon declares that these "certificates" are not in any sense to be regarded as currency. They are not even seen by the business community and do not pass from bank to bank, except in payment of "clearing-house balances."

And that "the great value of clearing-house loan certificates consists in the fact that they take the place of money in settlements of the clearing-house, and hence save the use of so much actual cash."

that there was no method of obtaining payment for the securities in case of their sale, which, in any event, would necessarily have been at a sacrifice. As the securities had a value, and as "clearing-house loan certificates" would be accepted among the members of the association in lieu of cash, a temporary substitute was obtained, by such of the member banks as desired, depositing their approved securities, accompanied by their own interest-bearing (7 3-10%) obligations, and receiving in return certificates showing the deposits. Not only did this furnish a substitute for money, but tided over many weak banks which otherwise would have met disaster.

As the financial distress gradually is replaced by a feeling of confidence, and money, which, for the time being, has been hoarded by the general public, comes back into circulation, "clearing-house loan certificates" are gradually retired, and the deposited securities returned to their proper owners.

The necessity for issues of certificates of this class in panicky times may not occur in the future for the reason that under the Federal Reserve Banking Act "rediscounts" (see that subject) can now be made at the Federal Reserve Banks.

There has been no necessity for these certificates in Europe because of the "greater concentration of banking capital there"; although from time to time the larger banks have come to the assistance of the smaller ones.

Clearing-House Rates. First read "Clearing-House." Before the inauguration of the Federal Reserve System, if it so happened, after "clearing," that some of the "creditor banks" desired to loan all or part of the money due them in the clearing-house settlement, an opportunity to borrow was offered other banks in need of funds. The rate of interest on loans made, at such times, was called the "clearing-house rate," and the money available for loaning in the hands of the "creditor bank" was termed its "clearing-house balance." This was also frequently referred to as "balance between banks."

As time went on, this custom of loaning money became confined almost entirely to Boston, but when the Federal Reserve Act went into force, it was abandoned even there.

But he shows that the Atlanta Clearing-House Association in 1893 and likewise clearing associations in other Southern cities, issued these certificates in small denominations, as low as $1.00. The wording on the Atlanta certificate being in part:

"Will be received on deposit or in payment of debts due any bank in said clearing-house."

And, to quote Mr. Cannon, "an implication that they were used in general circulation, which indeed, is true." This use as money, however, was entirely confined to the South.

Clearing-House Settlement. When a bank's representative has attended to his clearing-house duties for the day, and payment has been made to, or received from, the "clearing-house," the "clearing-house settlement" for that bank has been effected.

It is the adjustment of one bank with all the other banks of the association of the amounts due each other through the medium of the "clearing-house," payment being received, or made, in accordance with amounts due.

Clearing-House Sheet. (Read "Clearing-House.") The sheet on which the total amount of checks, etc., which a bank holds against all the other banks of the clearing-house, or against those which clear through members of the association, is entered, at the close of each business day. This sheet is presented with the checks (which are exchanged with the other banks) the following business day — that being the usual custom — at the clearing-house.

Clearing-House Statement. See "Bank Statement."

Clearing-House Stocks. Stocks which may be "cleared" through the "stock exchange clearing-house," to which subject reference may be had.

Clearing-Matter. All the checks, drafts, etc., which a bank presents at the "clearing-house."

Clearings. The amount of checks, drafts, etc., passing through the process of collection during any given time. (See "Clearing-House.") The sum total of the collections as accomplished through the medium of the New York Clearing-House Association for any one day are recognized as the "clearings" for that city for that day. "Clearance" or "clearances" may be used with this same meaning.

The manager of the New York Clearing-House Association gives the clearings for the year ending December 31, 1906, for New York City alone, as $104,675,828,656, and for the United States as a whole, $159,808,640,986. This shows the importance of New York from the standpoint of its clearings. London is the next city of importance in the world, and for 1905 the total of both "out-of-town" and "city clearings" for London amounted to £12,711,334,000 ($61,859,706,911).

Clique. A number of persons whose interests lie in the same direction, and who unite in their efforts to accomplish a certain result. In stock exchange parlance, a "bear clique," for instance, is a group, the members of which desire a decline in prices and use their best efforts towards that end.

The difference between a "pool" (to which subject refer) and a " clique " is but slight. In the matter of a " pool " there is generally some written or verbal agreement among its members for the purpose of accomplishing certain results, whereas, a " clique " is composed of persons whose interests lie in the same direction, and who work to a common end without any pre-arranged agreement.

Close Corporation. A stock company whose shares and management are in the hands of a few persons, and the stock of which is seldom, if ever, publicly offered.

Closed. The settlement of an account. In speculative language, the expression is used, " the account is closed." Suppose, for instance, the speculator has been buying and selling Union Pacific stock, running a marginal account with his broker (see " Margin ") and finally ends the transaction by buying or selling, as the case may be, and receives from the broker his profits, if any; then that account is closed.

Other meanings are transaction or trade completed and also " books close," which subject see.

Closed Mortgage. A mortgage under which no more indebtedness can be incurred; the amount of indebtedness authorized under the terms of the mortgage has been reached.

Closed Out. All sold.

Close Money. Money rates fairly high, and loans not easily obtained.

Close Out. Means to sell.

Close Prices. Changes in prices by small fractions; or a difference between the bid and asked price of but, say, 1-8%.

Closing Prices. The quotation of the day's last sale of each security.

Clover Leaf. The Toledo, St. Louis & Western R. R. Co. The name " Clover Leaf " was suggested by some imaginary resemblance of the three States in which this road is located — Ohio, Illinois and Indiana — to a clover leaf.

CLT. The " ticker " abbreviation for " collateral trust."

CN. The " ticker " abbreviation for " consolidated " or " consols."

Coalers. The railways which do the anthracite and bituminous coal transportation of the country; many of which have large coal mining interests of their own. Some of the most prominent of the coal roads are the Delaware, Lackawanna & Western, Central R. R. of New Jersey, Lehigh Valley, Reading, Delaware & Hudson, Baltimore & Ohio, Chesapeake & Ohio, etc. (See " Hard Coalers " and " Soft Coalers.")

Coal Roads. See " Coalers."

C. O. D. Cash (or collect) on delivery. To be more explicit, the delivery of the goods will not be made except in exchange for the amount due.

Code. See "Cipher Code."

Coffee. See "Futures" and "Spot," which methods of trading are customary in "coffee." The trading unit is 250 bags, each weighing about 130 pounds. Fluctuations are recorded on the basis of 1-100th of a cent per pound, which equals one point, *i. e.* $3.25 on a 250 bag transaction. One cent per pound equals $325 on the same amount. The commission charged non-members of the New York Coffee and Sugar Exchange is $20 for "buying and selling" 250 bags, or, as it is termed, "$20 per contract." The charge for members of the Exchange is $10 for the same transaction. The "margin" required under the rules is 50 cents to $2.00 per bag, the usual "margin" being $1.00.

Coin Certificates. Paper money specifically repayable in coin, such as our "gold treasury certificates" and "silver treasury certificates."

Coin Notes. "Treasury notes of Act of July 14, 1890" are sometimes called "coin notes."

Coins. Pieces of money of a fixed weight, stamped by the authority of government, and employed as a circulating medium; or, as Jevons defines them, "ingots of which the weight and fineness are certified by the integrity of designs impressed upon the surfaces of the metal." Their value may be represented by the material of the coins, or may depend to a greater or less extent on the credit of the State.[1]

Col. or (Coll.). Collateral.

Collateral. Really "collateral security." This is a security for the performance of agreements, or for the payment of money, and is something deposited with the evidence of debt to satisfy the claim of the lender in case of failure on the part of the borrower to meet the indebtedness when due. For example, Prescott & Co. desire to borrow $100,000, and to facilitate the operation agree to deposit with the bank which is to loan them the money, bonds or stocks of known value, and acceptable to the bank, having a market value of, say, $120,000; being salable at the time of loan for about $20,000 more than the amount borrowed. This $20,000 is called the "margin." Suppose the market value of these securities declines to $100,000. By agreement, the bank could demand Prescott & Co. to either pay off part of the loan, or deposit additional security equivalent to the decline in the market value of the collateral. If this is not forthcoming the lender

[1] 1896 Report of the Director of the Mint.

has the right to make a public sale of the securities; it being immaterial whether the loan is a "demand" or "time loan."

If, when the loan matures, Prescott & Co. are unable to pay it, the bank would have the right to sell the collateral, and from the proceeds first deduct the amount due for principal and interest; the balance, if any, it would pay back to Prescott & Co. In the case of a loan upon collateral security, therefore, the value and character of the collateral is the first consideration. A loan may be made with reasonable safety to a firm of even comparatively unknown reputation, if it is able to deposit security of established and well-known value, whereas, in the case of loans made without collateral, the financial standing and condition of the borrower must be the main consideration. Twenty per cent. is about the usual margin required.

Wool dealers often borrow money against wool, which, in that case, is security; so, likewise, in other kinds of business, similar loans are made.

Loans on "collateral" are usually made on "call," as explained under "Demand Loan," but are, nevertheless, frequently made on time, for thirty, sixty, or ninety days, or even six months or a year. If they are made in this manner the time is usually for six months or less. They may be either "discounted" or made with interest payable at maturity, as the case may be. The borrower usually has the privilege of substituting collateral for that already pledged; that given in exchange, however, must always be satisfactory to the lender. In case of investment bankers, whose securities are continually changing as they buy and sell, or in the case of a stock broker who is buying and selling for his clients, the privilege of exchanging collateral is very necessary. In such an exchange as this, the borrower usually hands in with his new collateral an "Exchange of Collateral" slip, which describes the new security pledged as well as that withdrawn.

By the above it will be seen that collateral loans may be known as "demand collateral paper" or "time collateral paper."

Form for a "Demand Collateral Note:"

9,000 Dolls. . . . . Cts. SPRINGFIELD MASS., Jan. 3, 1906.

ON DEMAND, for value received, with interest at the rate of 5 per cent. per annum I promise to pay to *The Cattlemen's National Bank*, or order, at its Banking Rooms, Nine Thousand $\frac{00}{100}$ Dollars, I having deposited with said Bank, as *General Collateral Security* for the payment of this and any other liability, direct or indirect, of the undersigned to said Bank, now contracted or hereafter to be contracted, the following property, viz.: 100 *Shares Mountain Manufacturing Company Stock*, with authority, on the non-payment of any such liability, to sell and transfer, at any time or times, said property, or any part thereof, at "Brokers' Board" or at public or private sale, without notice; and the said Bank, or any of its officers, may become purchasers at any such sale, if public, or at Brokers' Board; and any property substituted for the above, or added thereto, shall be also covered by this agreement. A margin satisfactory to the holder or holders hereof to be kept good at all times, and this note shall be deemed to be due and payable immediately, anything hereinbefore expressed to the contrary notwithstanding, on my failure to make such margin good upon demand by the holder or holders hereof, and they may immediately reimburse themselves by sale of the security.

After deducting costs and expenses of collection and sale, the residue of the proceeds of any such sale or sales may be applied to the payment of any then existing liability of the undersigned to said Bank, whether then due or not, returning the overplus to the undersigned.

FRANK CASTLEMAN.

Form for a "Time Collateral Note:"

9,000 Dolls. . . . . Cts. SPRINGFIELD, MASS., Jan. 3, 1906.

SIX MONTHS after date, for value received, I promise to pay to *The Cattlemen's National Bank*, or order, at its Banking Rooms, Nine Thousand $\frac{00}{100}$ Dollars, I having deposited with said Bank, as *General Collateral Security* for the payment of this and any other liability, direct or indirect, of the undersigned to said Bank, now contracted or hereafter to be contracted, the following property, viz.: 100 *Shares Mountain Manufacturing Company Stock*, with authority, on the non-payment of any such liability, to sell and transfer, at any time, said property, or any part thereof, at Brokers' Board or at public or private sale, without notice; and the said Bank, or any of its officers, may become purchasers at any such sale, if public, or at Brokers' Board; and any property substituted for the above, or added thereto, shall be also covered by this agreement. A margin satisfactory to the holder hereof to be at all times kept good, in default of which after demand, this obligation shall become due and payable on demand.

After deducting costs and expenses of collection and sale, the residue of the proceeds of any such sale or sales may be applied to the payment of any then existing liability of the undersigned to said Bank, whether then due or not, returning the overplus to the undersigned.

FRANK CASTLEMAN.

Collateral and Participating Bond. A very uncommon issue. The illustration given under "Participating Bond" will apply in this case.

Collateral Income Bonds. An "income bond" secured by collaterals. (See "Income Bonds.")

Collateral Loan. The obligation or promise to pay of an individual, firm, or corporation, on demand or maturing in a year or less time, and which individual, firm, or corporation has deposited with the holder of the note, stocks, bonds, or other securities, which, in case of the note not being paid when due, may be sold by the holder of the note and so much of the proceeds of the same as may be necessary to satisfy the debt retained by the lender, and the balance, if any, returned to the borrower. (See "Collateral.")

Collateral Mortgage Bond. (Read "Collateral Trust Bonds.") A "collateral mortgage bond," technically, should be secured by a deposit of bonds in turn secured by mortgage. But this title has been much abused, and bonds issued with such a title frequently are secured by stocks only, as was the case recently with a large Western railway company (Holding Company) which authorized an issue of $75,000,000 "collateral mortgage gold bonds" secured by a pledge of nothing but the stock of another railway company.

Collateral Note. A promissory note secured by stocks, bonds, mortgages, or other securities. A "collateral note," of course, may be given by an individual, firm, or corporation. (See "Collateral.") It is quite a common form of borrowing among many of the railway companies, as evidenced by the Cincinnati, Hamilton & Dayton Railway Co. issuing, in 1905, $15,000,000 4½% "collateral notes." To secure these notes there was deposited with the Central Trust Company of New York, as trustee, the following securities, which had an estimated market value, at the time, of $24,000,000.

$15,000,000 Cincinnati, Hamilton & Dayton 4¼% Consolidated Mortgage Gold Bonds.

$6,700,000 Cincinnati, Hamilton & Dayton 5% Preferred Stock.

$1,073,000 Cincinnati, Hamilton & Dayton 4% Preferred Stock.

$375,000 bonds of constituent companies.

7,501 shares Southwestern Construction Company stock.

Ascertain the value of securities held by the trust company as collateral security for notes of this description, and what their nature is and how important to the company issuing the "collateral notes."

Collateral Trust Bonds. Issued by a corporation, not secured by a mortgage upon its own property, unless upon certain real estate and subject to previous liens thereon, but secured by depositing in trust securities of other companies. Such a bond may, however, be indirectly a first mortgage through mortgages which have been deposited as above indicated; for instance, under the heading "Joint Bonds" is described a bond issued against stock of the Chicago, Burlington & Quincy Railroad Co. In this case, these "joint bonds" are really "collateral trust bonds," and are in no sense a mortgage. Suppose, however, some of the first mortgage bonds of the Chicago, Burlington & Quincy Railroad Co. had been deposited; this "collateral trust," or "joint bond," would, in that case, have been indirectly a first mortgage upon the Chicago, Burlington & Quincy Railroad.[1]

The value, as an investment, of such a bond as described

[1] The Armstrong Committee, in its recommendations after investigating the New York life insurance companies, expressed disapproval of collateral trust bonds secured by stock collateral. "Collateral trust bonds" at their best have many objectionable points, and cannot be classed as conservative.

above, depends upon two things: first, the value of the securities pledged for its payment, and their desirability if, through default, they become the property of the bondholders; second, the strength and ability to pay of the corporation actually issuing the bond and what obligation, if any, such corporation is under to pay in case of insecurity of the collateral pledged. (See "Convertible Collateral Trust Bonds.")

Collection Charges. The charge made by a bank for the collection of a check, draft, or other item, upon points outside the city or town in which it is located. Each Federal Reserve Bank is now taking over this work for the benefit of the banks in its district.

Collection-Clerk. This employee of a bank is responsible for such items as notes, time drafts, etc., that is, papers which are payable "on time." Items which are payable "on demand" do not as a rule come under his jurisdiction.

Collection Items. See "Collections."

Collection of Coupons. See "Coupons — Collection of."

Collections. The "clearing-house" term indicating the checks, drafts, etc., which a bank presents at the "clearing-house," or which it has for collection. Also referred to as "collection items."

Colon. Monetary unit of Costa Rica, equal to $0.465 United States money.

Columbian Half Dollar. By an act of Congress, August 5, 1892, $2,501,052.50 of silver half dollars, of special design, were minted in recognition of the Chicago World's Fair. Weight, 192.9 grains; fineness, .900. Legal tender to the extent of $10.

Columbian Quarter Dollar. By an act of Congress, March 3, 1893, $10,005.75 of silver twenty-five cent pieces, of special design, were minted in recognition of the Chicago World's Fair. Weight, 96.45; fineness, .900. Legal tender in amounts not exceeding $10.

Combine. Practically the same thing as a "trust," or more particularly a "pool." Also, a stock market term for a combination of brokers or others for the accomplishment of a certain object.

Coming Out. Whenever we hear that securities are sold in the London market for the "coming out," it has reference to trading in the securities previous to the actual issue of the certificates themselves; *i. e.* the "coming out" of the certificates. "Coming out" must not be confused with "special settlement" (to which subject refer), and may indicate that such a settlement is not immediately expected; furthermore, it is understood that a "special settlement" will not be granted until the certificates are actually issued. When transactions are for the "coming out," it is supposed that the certificates will be issued within a reasonable time.

Commercial Agencies. In New York are located the head offices of the two principal "commercial agencies" of this country; namely, Bradstreet's and Dun's. These agencies furnish subscribers periodically with books in which may be found the credit standing or rating of practically all the business men, firms, etc., who would probably need credit, not only throughout the United States, but in many other parts of the world as well. These publications are of great value to the banks, manufacturers, wholesalers, and others.

The amount of money loaned, or goods advanced, is generally dependent upon the rating of the borrower or purchaser in one of the "commercial agencies." The agencies will also furnish special reports to subscribers upon any person in any part of the territory covered. Besides all this, they furnish general information to the public regarding the number of failures during a certain period, crop and business conditions, etc. In fact, these agencies are to-day a great factor in banking and mercantile life.

There are many other smaller agencies each of which makes a specialty of some one industry.

The first mercantile agency was created in New York in 1841.

Commercial Banks. In several States, such as Kentucky and Michigan, there are banks bearing the above title. They are much the same as an ordinary "bank of deposit." The intent is not so much for the deposit of savings, but more the accepting of deposits subject to check to facilitate an exchange of commodities; to be of benefit to the merchants and business men in general. They carry on the usual business of banking by discounting and negotiating notes, drafts, bills of exchange, and other evidences of debt; lending money on real and personal security, etc. Their functions are very similar to those of national banks, with the exception, among others, of course, that they do not issue bank notes.

In a broad sense, national banks, and, in fact, all "banks of deposit" are "commercial banks," but, as stated above, in certain communities there are those specially designated by that name.

Commercial Bar. Explained under "Assay Office Bar."

Commercial Bill. A draft, accompanied by a "bill of lading" and a certificate of marine insurance, drawn by a seller in one country against a buyer in another, on account of goods sold the latter. These drafts are usually sold by the "drawer" to some banking house dealing in foreign exchange, as by so doing immediate use of the money can be obtained.

It is customary for the "drawer" of a "commercial bill" to make it payable to himself, and then indorse it as need may arise; unless he wishes to use the amount due him directly to offset a foreign debt of his own, in which event he may draw the bill in favour of the party abroad to whom the sum is due.

For the different kinds of "commercial bills" refer to "Demand Bills" and "Time Bills."

Commercial Borrowers. Borrowers of money, as set forth under "Commercial Paper."

Commercial Discounts. Notes given by those engaged in commercial enterprises — dry goods, hardware, etc., — upon which the interest is paid in advance — "discounted" (see matter under "Discount"). Sometimes the rate of "discount" is meant by the term "commercial discount."

Also, the discount allowed by the seller of merchandise to the purchaser on account of earlier payment than called for in the bill. For instance, unless otherwise stipulated, the wool dealer bills a sale of wool as "net sixty days, 1% ten days," meaning that the bill is absolutely due and payable at the end of sixty days, but that if the purchaser chooses to pay it before the expiration of ten days he may deduct 1% from the face of the bill. In the same way, in cotton yarn transactions, the bills call for "net sixty days, 2% ten days," and so on.

Commercial Letter of Credit. See last part of "Letter of Credit."

Commercial Paper. This is a very general term and is made in usage to cover many kinds of notes, acceptances, bills of exchange, etc. It is the general term used by note brokers, but they further distinguish between the various kinds of "commercial paper" by referring to the same as "corporation paper," "business paper," "mercantile paper," etc., as explained under the several subjects.

Commission. The charge made by any banker or broker for buying or selling securities for some one else; the banker's, broker's, or promoter's charge for services. When an agent or broker sells or buys a security for another, acting as a "middleman," he receives a commission for his services. In other words, he is "commissioned" to accomplish a certain act. In the case of a merchant who owns goods and sells the same to his customers, he makes a "profit," not a "commission;" the distinction between a "profit" and a "commission" being, that in the case of the former there is no "middleman;" that is, the owner sells directly to the purchaser; the difference between the buying and selling price being the "profit." In the case of a "commission" when securities or commodities are passed from the owner, through an agent or broker, to a third party — the buyer — the agent or broker receives a compensation called a "commission."

Stock Exchange Rules for Commission Charges:

Commissions shall be calculated as follows (except as provided in Subdivs. (*c*) and (*d*) of this Sec.):

On Boston Stock Exchange

Bonds, on the par value .... $\frac{1}{8}$ per cent
Government bonds are exempt from the regular rates.
Bank Stocks and Trust Company Stocks, per share .... 25 cents
Insurance Stocks, per share .... 25 cents
Textile Manufacturing Stocks and Real Estate Trust Stocks, $\frac{1}{4}$ per cent on par value
When the above stocks are selling at double their par, the commission on them shall be doubled.
All other stocks selling at $300 or over per share .... 50 cents
Selling below $300, or at $125 or more per share .... 20 cents
Selling below $125 and at $10 or more per share .... 15 cents
Selling below $10 and at $1 or more .... $7\frac{1}{2}$ cents
Selling below $1 per share .... $1.50 per hundred shares
Minimum commission per transaction $1.00

On New York Stock Exchange

On stocks selling below $10 per share .... $7\frac{1}{2}$c. per share
On stocks selling at $10 or above but below $125 .... 15c. per share
On stocks selling at $125 per share or above .... 20c. per share
On bonds .... $\frac{1}{8}$ of 1% of par value
Minimum commission .... $1.00 per transaction

On Chicago Stock Exchange

Bonds .... $\frac{1}{8}$ of 1% of par value
Stocks selling below $10 per share .... $7\frac{1}{2}$c. per share
Stocks selling at $10 per share and above but below $125 ... 15c. per share
Stocks selling at $125 per share and above but below $300 ... 20c. per share
Stocks selling at $300 per share and above but below $500 ... 50c. per share
Stocks selling at and above $500 per share .... $1.00 per share
Government bonds .... $\frac{1}{16}$ of 1% of par value
Minimum commission $2, except on stocks below $10 per share

Commission House. Dealing only on a commission basis; neither speculating nor buying with the idea of selling in smaller lots to their customers, as does, for instance, the investment banker.

Commission House Paper. A note given or sold by a commission house, such as one handling dry goods.

Commitments. By one's "commitments" is understood his contracts or obligations.

Common Carrier. One who undertakes for hire or reward to transport the goods of such as choose to employ him, from place to place. All transportation companies engaged in the express, freight, or passenger business are common carriers. The "Rate Bill" which passed Congress includes under this heading "pipe-lines" for the transportation of oil or other commodity except water or gas.

Common Stock. That part of the capitalization of a company upon which dividends may be paid only after satisfying the requirements of the floating debt, bonds, and "preferred stock," if any. It represents the speculative ownership in a corporation, as a rule. At times, however, the earnings of the companies are so large that the "common stock" receives much larger dividends than the preferred, and sells at much higher prices. When the earnings of a company very largely increase or there are indications of some profitable "deal," the "common stock" is apt to reflect it by a rise in price greater than the other securities of the same company.

In some corporations after the "common stock" has received a certain rate of dividend, there is a division of all other earnings between the preferred and "common stocks," or some other similar plan is adopted. This goes to show that a "common stock" is not necessarily entitled to all earnings after payment of the preferred dividend.

There are many "common stocks," paying no dividends, which sell at seemingly unreasonably high prices. This, among other reasons, is because it is expected that dividends will sooner or later be paid, or that the stock may some time be bought for the purpose of control, and, consequently, is valuable on account of its voting power.

Although "common stocks" usually carry with them voting power, yet there are examples of corporations where the control goes to the preferred holders, although representing a par value far less in amount than the common.

A "common stock" which has a "cumulative" preferred stock preceding it, is not so valuable from a dividend standpoint as if the preferred is "non-cumulative" (see the subjects in quotations), for unless the earnings of a company are so large as to make dividends upon both classes of stock almost assured, the "cumulative" feature may, at some future time, act to the detriment of the common.

Community of Interests. When large interests in one corporation are so interwoven with those of another that it is desirable, for the common good, that the properties shall be operated in the mutual interests of all concerned, the "community of interest" idea is in effect. It is something more than a mere agreement between two or more parties to operate in the interests of one another; it is where the invested interests are such that not to do so would be detrimental.

Ripley says the "community of interest" basis of consolidation has not been industrially applied, except possibly in the Standard Oil Co., after the dissolution of its trust in 1892.

Comparisons. When a stock exchange broker compares his sales and purchases with other brokers to determine that no misunderstandings exist, "comparisons" have been effected. (See next subject.)

Comparison Slip (or Ticket.) The slip of paper which one broker exchanges with another showing the transaction between them.

(See "Comparisons.")

Composition. An agreement whereby a creditor accepts part payment in lieu of an entire debt due.

Compound Interest. See "Simple Interest."

Compound Option. See "Call-of-more," "Put-of-more," "Spread," and "Straddle," any of which are meant.

Comptroller. An officer who performs certain duties in examining the accounts or taking charge of the financial affairs of a State, municipality, or corporation.

Comptroller of the Currency. "There shall be in the Department of the Treasury a bureau charged with the execution of all laws passed by Congress relating to the issue and regulation of a national currency secured by United States bonds, the chief officer of which bureau shall be called the Comptroller of the Currency, and shall perform his duties under the general direction of the Secretary of the Treasury."[1] He has, in effect, control of all national banks.

Comptroller's Call. See "National Bank Call."

Con. (or Consol.). Consolidated.

Conant. The Philippine "pesos" are unofficially called "Conants" in honour of Charles A. Conant, who served as a commissioner on the currency of those islands.

Concealed Wealth. A recently coined Wall Street phrase indicating the value of a property greater than appears by its published statements, and which accounts for certain stocks

[1] National Bank Act.

selling at figures seemingly very high, judged only from their dividend paying records.

Conditional Indorsement. An instrument upon which the indorser attaches some condition along with his indorsement as to his liability.

Conducting Transportation. Those studying the earnings of a railroad company will often find the "operating expenses" subdivided under various headings, including the above, which should consist of the following as prescribed by the Interstate Commerce Commission: Fuel, water supply, oil, tallow, waste, and other supplies for locomotives, switchmen, flagmen, watchmen, engine and roundhouse men, telegraph expenses, train service supplies and expenses, station service and supplies, loss and damage, injuries to persons, clearing wrecks, operating marine equipment — if any — advertising, outside agencies, commissions, stock yards and elevators, rent for tracks, yards and terminals, rents of buildings and other property, payments for switching charges, car mileage and hire of equipment greater than receipts therefor, besides superintendence, stationery, printing, and other expenses in connection therewith.

The Wall Street Journal compiled the cost of "conducting transportation" for the fiscal year ending 1906, for fourteen important lines of road. The percentage of this cost to the gross earnings ranged all the way from 29.3% to 42.4%, the average being 36%. Subsequently, this average figure fell to 33%, but it has more recently advanced sharply, especially when the railroads were under government control.

Confidence Game. Swindling. (See "Gold Brick.")

Confirm. "To confirm" is to reduce to writing an order or agreement previously given or made verbally.

Conservator. One appointed by a court to manage the property of a lunatic, idiot, or other person incapable of managing his affairs.

Consideration. Something given, as money or property, in return for a promise, as, in a note, or, as one writer puts it: "that it consists in a benefit to the promisor or a detriment to the promisee."[1]

Consignee. The one to whom goods are shipped; the receiver of them.

Consignor. The one who ships goods. The opposite to the "consignee," who receives them.

Consol Certificates. Issued by the National City Bank of New York to represent ownerships in the "Consols" (to which refer) of Great Britain and Ireland, and which, at one time, were traded in here in America in lieu of the original "consols."

[1] F. M. Burdick.

Consolidated Annuities. Three per cent. consolidated annuities. See "Consols." (The rate is now $2\frac{1}{2}\%$.)

Consolidated Bonds. See "Consolidated Mortgage Bond" and "Consols."

Consolidated Exchange.[1] "The Consolidated Stock Exchange of New York," its proper title, is in New York City and a distinct association from the "New York Stock Exchange." On the "Consolidated Exchange," many securities not "listed" on the large stock exchange are traded in, as well as grains, etc., but transactions are in lesser volume, although at the same rate of commission, *i.e.* 15c. per share for 50 share lots and upwards, and for an amount less than 50 shares, the rate is the same. The unit of trading is 10 shares.

The securities dealt in on the larger exchange are very extensively bought and sold upon the "Consolidated Exchange," but the business is mostly in fractional lots — less than 100 shares. It is claimed that it is the second most important stock exchange in the United States, and that its daily transactions frequently exceed those of all other exchanges combined with the exception of the New York Stock Exchange.

Consolidated First Mortgage. As commonly used in relation to bond issues, it has the same meaning as "first and consolidated mortgage."

Consolidated Mortgage Bond. Theoretically the name of a corporation bond secured by a mortgage on the entire property formed by the consolidation of several smaller properties. Such a mortgage may be a first mortgage upon the property so consolidated, or it may be subject to earlier mortgages issued by one or more of the several companies consolidated. In the latter event, it would not only be a "consolidated mortgage bond," but, likewise, a "general mortgage bond." (See "General Mortgage Bonds.") The name "consolidated mortgage" is used to distinguish such an issue, in the case of a railway company, from "divisional bonds;" that is, mortgages upon the separate properties consolidated.

In practice, the names given to different bond issues, railway issues especially, are often technically incorrect, and frequently a "consolidated mortgage bond" differs materially from this definition.

A very common use of the term is for an issue created to take the place of — refund — other issues having a prior lien to it, but which are not yet due; the new debt being intended to eventually consolidate the funded indebtedness of the company. In a case such as this, the new issue is usually

[1] Any one wishing to study more fully into the interesting methods of conducting the business of this exchange, will find an excellent treatment of it in "The A B C of Stock Speculation," by Nelson.

large enough to retire the prior indebtedness and furnish funds for needed improvements. An equal amount of the consolidated issue is always left in the hands of the trustee to take the place of the underlying bonds as they mature, and it is also proper to allow for an increased issue of the consolidated bonds from time to time for further improvements, a restriction being generally inserted in the trust deed that bonds so issued shall be up to only a certain percentage of the actual cost of the improvements.

Consols. The name applied to a large part of the Government securities of Great Britain; that portion which is known as the "Three Per Cent. Consolidated Annuities" or "Consolidated Threes." The Government retains the right to pay the principal at its pleasure.[1] The rate has now been reduced to $2\frac{1}{2}\%$ on these, and they are, consequently, known as "$2\frac{1}{2}\%$ Consols," also called "Goschens."

The two per cent. bonds of the United States Government redeemable after 1930 are known as the "Two Per Cent. Consols."

Any bond issue which has taken the place of various previous issues, of different rates, maturities, etc., so that the indebtedness has become consolidated into a uniform issue of bonds may be known as "Consols," *i. e.* "consolidated bonds."

Consols Account Day. See "Consols Settlement."

Consols Contango Day. See "Consols Settlement."

Consols for Account. A purchase of the Government securities of Great Britain known as "consols" for delivery upon the next settling-day. There is only one settlement a month for "consols," and this is entirely distinct from the ordinary settling-days. (See "Fortnightly Settling-Days.") It is generally within the first week of the month. Purchases of this kind are known as "for account" and quotations differ from those purchased "for money." (See the following subject.)

Consols for Money. (Read last subject.) This is a purchase of "consols" for cash; immediate delivery.

Consols Making-up Day. See "Consols Settlement."

Consols Settlement. Explained under "Consols for Account." This settlement consists of a "contango day," "making-up day," and "account day."

Construction Account. "Construction account" is treated

[1] "By 25 Geo. II. the balance of annuities granted by 8 Geo. I. was carried to a three per cent. stock, formed in 1731, and they were (in 1752) consolidated into one stock — the new stock is still called 'three per cent. consols.' The word consols is a contraction for consolidated." — "*History and Principles of Banking,*" *Gilbart.*

as an asset; "capital account" as a liability. Many corporations expend money and incur indebtedness which they charge to "construction account," with the idea of eventually issuing new capital in the way of stock or bonds, and, from the proceeds of such issue, replenish their cash for money expended or use the proceeds to pay the indebtedness incurred for the items charged to "construction account." (See also "Capital Account.")

Construction Company. A corporation — a firm, individual, or an association of individuals, etc., may perform all the functions of a "construction company" — which constructs some public work such as a steam or electric railroad. For the purposes of this book, ordinary contractors are not included. The "construction company" here referred to is one which agrees to turn over the completed property in exchange for all, or a part of, the company's securities. This ensures a sale of stocks or bonds, etc., sufficient to pay for the construction. It offers, at times, opportunities for those in control of the "construction company" to obtain securities at low prices, if there is a wide margin of profit between the actual cost of the construction and the face value of the securities taken in payment. It, likewise, affords a chance for a company to issue "watered securities," *i. e.* securities exceeding in their face value the actual value of the property which they represent, provided that the officers in charge of the affairs of the company are substantially the same as those of the "construction company," as is sometimes the case.

Constructive Mileage. Allowance by a main line of railway to a branch or connecting line of a greater proportion of the earnings on freight originating on the smaller, and destined to some through point on the main line, than a mileage proportion of such earnings would give it. For example: the main line, 90 miles long, allows the branch line, ten miles long, earning at the rate of two miles for each mile the freight is actually carried by the branch. The branch would not receive one-tenth but two-elevenths of the earnings.

Contango. If a London broker makes a sale of a certain stock, deliverable at some future day — in practice upon the "Account-day" or "Pay-day" — and before such date requests a further delay in delivery, or borrows the stock elsewhere to make delivery — the necessity for which might arise from the stock being scarce or oversold — the charge which the purchaser makes for granting him the extension, or the charge made by the lender of the stock, is called "backwardation," or "back." If, however, the situation is just the reverse and the purchaser of stock requests a delay in delivery, the charge made for such an accommodation is called a "contango." "Backwardation" is paid by the "bear," and "contango" by the "bull."

Contango Day. (Read last subject.) This is the day on which "contangos" are arranged. It is the first of the "Fortnightly Settling-days." Also called "Continuation Day," "Making-up Day," and "Carrying-over Day." On this day the settling price is fixed by the London Stock Exchange, upon which all accounts are based and made up. The rate of interest, which is called "contango," is also fixed.

Continental. All Europe, exclusive of the British and other Isles.

Continental paper money, issued by authority of the Continental Congress during the Revolutionary War, and used to defray the greater part of the expenses of that war. An enormous amount of it was put out, the sum total being about $360,000,000. The market became so glutted with it that it depreciated tremendously, and finally became almost worthless, one instance being reported where $1,000 in this currency was given in exchange for $1.00 in silver. This explains our common expression "don't care a continental."

Continental Bill. A "bill of exchange" payable on the continental part of Europe. This term is used to distinguish such from those payable in England, which are termed "sterling bills."

Continental Bourses. The European stock exchanges other than those in the British Isles. (Also read "Bourse.")

Continental Markets. Berlin, Antwerp, and Paris.

Contingent Fund. Money set aside to be drawn upon only in case of certain emergencies.

Contingent Profit. A conditional profit. A lawyer occasionally conducts a case upon a "contingent profit" or fee, his payment for services being entirely dependent upon his winning the case.

Contingent Rights Stock. An English term. This stock shares dividends on the "ordinary stock" (see "Preferred Shares") after the latter has received a certain rate.

Continuation Day. The first of the "Fortnightly Settling-days. (See that subject and also "Contango Day.") For many securities the second "settling-day" is the "continuation day."

Continued Bond. Same as "extended bond."

Contract Grade. Chicago Board of Trade term indicating the grade which is required on contracts for future delivery.

Control. See "Controlling Interest."

Controller. See "Comptroller."

Controlling Interest. When one person, or a number together for their mutual benefit, obtain, by ownership or by proxies (see " Proxy "), their right to cast the votes for a majority of the shares of stock in any corporation, such person or persons are said to have a " controlling interest."

Conv. Convertible.

Convertible Bond. A bond, which, at the option of the holder, is convertible, under certain conditions, into other securities issued, usually, by the same corporation.

As a rule, bonds are convertible into stock. One of the best illustrations is an issue of bonds of the American Agricultural Chemical Co. They are convertible into the stock of the company at par and bear 5% interest. The stock of the company pays dividends in excess of the interest upon the bonds, and is quoted at a price above par. The result is, that the bonds, which, in themselves, would probably not be selling even at par, were it not for the convertible feature, follow closely the price of the stock.

It does not necessarily follow, however, that if the price of a stock into which a bond is convertible, falls below its conversion price, that the quotations of the latter will be sympathetically affected. For, its market value then would depend entirely upon its investment value as a bond. The only influence which the convertible privilege has upon a security is to carry it above its intrinsic investment value when the security into which it is convertible advances beyond the " conversion parity."

The attractive feature about " convertible bonds " is that they are considered safer than the stock, and when, at the time of issue, the stock is not selling above its conversion price. The purchaser of the bonds, therefore, feels reasonably secure of his money. But in case the stock should advance in price beyond the conversion equality, he might reap a profit from the convertible privilege; in other words, he probably has nothing to lose, and, possibly, much to gain. It is the lottery or speculative feature which gives such investments their popularity. This plan of financiering caters to the speculative spirit and is scarcely a high-class method. In case the stock is " converted " the annual interest charge becomes contingent instead of fixed.

Convertible Collateral Trust Bonds. This issue is endowed with practically the same features as a " collateral trust bond," to which subject the reader is referred. The main difference, however, is that the former is secured by collaterals, which may be exchanged from time to time for other collaterals, with the consent, for instance, of the trustee. The convertible feature is not a bad one as it sometimes enables the issuing company to take advantage of an increase in the market value of possibly all or part of the collateral securities, and paying off part, or possibly all, of the issue, the proviso almost always being inserted that the issuing company may redeem the issue in part or entire under such conditions. Should none of the issue be paid off, or a proportionate amount not paid off to offset the collaterals withdrawn, the trustee would demand other satisfactory collaterals to fill the deficiency. There are other similar good features of minor note attached to the convertible bond, and, upon the whole, as between the two issues, the convertible one is the more preferable, other conditions being equal.

Convertible Debenture. The only difference between a "convertible debenture" and a "convertible bond" is as to the way the loan is secured, which will be clearly understood by turning to the subject "Debenture Bond." A good illustration of such an issue is that of the American Telephone and Telegraph Co., "Convertible Debenture" 4's, to which there is attached the lottery feature of convertibility into stock after three years and before the expiration of twelve years at stipulated prices.

Convertible Income Bonds. See "Income Bonds."

Convertible Paper Money. Paper money which the holder has the right to present at any time for redemption at a parity in metallic money. This is distinguished from "inconvertible paper money," which subject see.

Convertibles. Securities which, at the option of the holder, are convertible, under certain conditions, into some other security, issued, usually, by the same corporation. For examples see "Convertible Bond," "Convertible Collateral Trust Bonds," and "Convertible Debenture."

Convt. Convertible.

Cooked. A matter or account has been "cooked" when purposely made to deceive.

Co-operative Banks. For all practical purposes these are about the same as "building and loan associations," to which refer. One conspicuous difference exists, however, namely: the right of a member of the former to withdraw the accumulations upon his unpledged shares, by giving due notice, say thirty days, and upon certain other conditions.

Copper (or Coppers). "Copper" is used in various ways; with an "s" in reference to shares of stock of the various copper companies, and without the "s" to indicate the product of the mine. "Copper the metal" is a common expression as distinguished from "copper the stock."

The United States dominates the copper industry of the world. The following shows the rapid increase in production.

For the year	1845	224,000 lbs.
" "	1855	6,720,000 "
" "	1865	19,040,000 "
" "	1875	40,320,000 "
" "	1885	165,875,766 "
" "	1895	380,613,404 "
" "	1905	888,784,267 "
" "	1910	1,080,159,509 "
" "	1915	1,388,009,527 "
" "	1916	1,927,850,000 "
" "	1917	1,886,120,000 "
" "	1918	1,908,534,000 "
" "	1919	1,286,000,000 "
" "	1920	1,235,000,000 (estimated)

Copper a Tip. Acting contrary to the "tip," or information received.

Copper Coins. See "Cent."

Coppers. All stocks of the copper mining companies. Also our pennies.

Copper Warrants. A term used in England to denote receipts for copper placed in the public storehouses. We have nothing corresponding to these receipts in this country. "Copper warrants" are sometimes sold and delivered at the sale, and the copper is taken out of store and used, but it is a very common practice for contracts to be made for the future sale or delivery of these warrants. Sometimes a contract for future delivery is bought by a manufacturer, who has taken an order for manufactured goods, also for future delivery, and for which he has yet to supply himself with refined copper. At times "copper warrants" are sold by others engaged in trade to protect themselves in a like manner. They are also often bought and sold in mere speculation.

Corn. This is explained under "Grain," except that the trading unit for future delivery is 5,000 bushel lots and the "margin" about 3 cents per bushel, the commission being the same as on other grains.

Corner. A control of a commodity or security for the purpose of raising prices. A "corner in wheat" occurs when one person, or a group, secretly buys practically all the wheat in the market, and others, who have made contracts to deliver wheat on the supposition that it could be bought in time to comply with their contracts, and not knowing of the secret buying for control, suddenly find that in order to meet their agreements they are obliged to pay such prices as those in control demand. A witness in court once described a "corner" as "a . . . combination to prevent people short of stocks from buying them."

"Corners" have often proved dangerous to those attempting the same, and very frequently they reap financial disaster for their pains.

Corporation. [1] A charter may be obtained from the legislature of a State, or from such officers as may be authorized to grant charters, or, even under certain conditions, from Congress. This charter is an instrument which states the privileges, etc., which the body incorporated thereunder enjoys. The different ownerships in the business to be conducted under this charter are represented by shares of stock, and the owners thereof are known as stockholders. Very large enterprises, such as railroads, etc., are generally conducted in an incorporated form, as such large amounts of capital are wanted, necessitating so many subscribers, that a partnership agreement would be unwieldy. And, also, owing to the desire which would arise from the multiplicity of ownership for transference or sale of the same to other parties. A corporation is more permanent in its character than a partnership, or a business conducted by an individual.

There are many enterprises, very largely of a public nature, such as gas, electric lighting, street railways, etc., which must lawfully be conducted by incorporated companies, so that there may be more or less State control of the same. Still another reason in favour of incorporating is that the owners of the shares are limited in their liability for the debts of the corporation, whereas, if the business were conducted as a firm, each partner is liable for all the partnership debts.

Although formerly corporations were usually created to conduct the larger enterprises, to-day their use has been extended to almost every conceivable business or industry. It might be found difficult to secure money to " finance " many such if it were not possible to obtain many stockholders for small amounts.

For the benefit of those who desire such information, some of the essential points to consider in forming an incorporated company are as follows:

The majority of companies may incorporate under the laws of some other State, if so desired, than that in which business is actually conducted; except in case where certain privileges are derived from the State in which the enterprise is carried on. This has resulted in almost countless instances of the selection of that State which conveys the greatest privileges in a charter. There are many which have enacted laws especially to encourage this sort of thing, thereby deriving a large revenue from the same. Some one has facetiously referred to New Jersey, West Virginia, and Maine, as the " Incubators of

[1] A corporation has been legally defined as " an invisible, intangible person existing only in contemplation of law."

Trusts," as those three "charter bartering States" are, perhaps, most liberal in the scope of the charters granted. They convey rights upon corporations to do things in other States often forbidden by the laws of those States.

Wherever a company is incorporated, it is necessary to file with the Secretary of State, or some other properly designated officer, a "certificate of incorporation" (see that subject) following the form as furnished by the State in question. (In many instances, such as railroads, etc., it may be necessary to obtain a special legislative act.) Accompanying the certificate of incorporation, a copy of the constitution and by-laws is usually required.

When companies organize under a different State than that in which they operate, it is necessary to name a resident "attorney in fact" to whom is delegated the usual powers of such attorneys.

Some of the States require the principal office of any company incorporated therein to be located somewhere within its borders, where books, like the stock and transfer books, shall be kept.

It is not the intention here to suggest anything as to the actual formation of the company itself, the holding of meetings, electing directors, adopting of the constitution and by-laws, and so on; for competent legal advice should always be obtained in that direction. In fact, so far as that goes, it is very essential that an incorporation of any kind should not only be conducted under a careful supervision of counsel, but under very painstaking and competent counsel.[1] (See also "Corporation Trust Companies.")

Corporation Bonds. A bond issued by an incorporated company, the ownership of which is represented by shares of stock; a bond of a joint-stock company. Bonds issued by governments, States, or any territorial subdivision thereof, although corporation bonds in one sense are not so known in the banking world, but are known as "government bonds," "State bonds," and "municipal bonds." Occasionally an exception is made, as "corporation stock[2] of the City of New York," meaning New York City bonds. Investment bonds are in general covered by two classes, "corporation" and "municipal." (Read "Bond.")

The former are, usually, secured by a mortgage upon all, or a portion, of the property of the company obligating itself to pay the same. They can be issued only by per-

[1] The East India Co. incorporated in 1600 is about the earliest example of a large modern corporation.

In England the word "company" is used as the equivalent to our "corporation," the latter term having reference to a municipal body only.

[2] In Great Britain this is also a common name for municipal securities.

mission and under the direction of the company's shareholders.

It is customary to protect the rights of bondholders by selecting some trustee — usually a trust company — to hold the mortgage against the property, and to carry out certain acts necessary to the issue. (See "Trustee.")

A bond of this class states on its face many of the rights, both of the issuing company and the holder, and refers to the deed of trust in further accordance with which the issue is created. (See "Deed of Trust.")

Corporation Paper. Notes, acceptances, etc., held against incorporated companies. "Mill paper" may be "corporation paper," but all "corporation paper" is not necessarily "mill paper."

Corporation Securities. Except in very special cases this is a common title for stocks, bonds, etc., issued by incorporated companies, such as railways, electric light, gas, water, etc., but occasionally some such expression as "corporation stock of the City of New York" will refer to the municipal obligation of the same.

Corporation Trust Companies. If the reader will first turn to the subject "Corporation," it will be found that a good many companies are incorporated under States other than that in which they transact business, which have enacted statutes to encourage incorporating under their laws. These States have located in some one of their principal cities a trust company known by the above title, at which place many means are afforded for the greater facilitating the complying with the necessary laws of such States. These trust companies have rooms where meetings may be held; furnish blank forms of various kinds, and some one connected therewith is selected as the resident director of the company, and so on.[1]

Corresponding Clerk. This employee of a bank is one to whom the items for collection out of town are turned over.

[1] The Wall Street Journal, in its issue of April 21, 1906, refers to these companies as follows:

"Under the guidance of the Corporation Trust Company, or any of the numerous promoting counsel, a wayfaring man cannot miss the path leading straight to the labyrinths of high finance. These gentlemen have printed forms all prepared and will give you on short notice a corporation born full-fledged, capital, dummy directors and all, without even a personal visit to New Jersey. One 'dummy' may, as in one instance I learned of recently, act for 100 or more corporations. These automatons are mummies as well as dummies. No discretion or responsibility is expected or required. As soon as the fee is paid to the Secretary of State the incorporation, 'equivalent to a special act of the legislature,' becomes operative.

"This fee, in order to encourage these promotions, is, compared with the privileges and opportunities conferred, but nominal. In consequence, all sorts of wildcat schemes receive charters to do as they please and no questions asked."

He must keep a record of everything of this nature sent by mail or express, and see that they are forwarded to the proper points for payment, whether they are demand or time items. He has charge of all coupons payable out of town and has a very large correspondence relating to all such matters.

Cotton. "Future" and "spot" transactions occur in cotton trading, which are explained under those subjects. The buying or selling unit is 100 bales, or 50,000 lbs. The average weight of a contract bale is, therefore, 500 lbs. Fluctuations are recorded in "points;" a cent is divided into 100 "points." If cotton declines 50 "points" it declines ½ cent per pound, or $2.50 on each bale, equal to $250 on the 100 bales. The commission charged non-members of the New York Cotton Exchange is $10 for buying and $10 for selling 100 bales, or $20 for the "round turn," as it is called. The margin demanded by brokers depends largely upon the character and standing of the customers; also somewhat upon the price of cotton. Before the World war, one cent per pound was about the usual margin, namely, $500 on each 100 bales, but during the war it has been much higher.

Cotton Bill. A "bill of exchange" drawn against a shipment of cotton. (See "Exchange.")

Cotton-Carrying Roads. The important railways of the South, or which extend into that section, and which carry the bulk of the cotton product, such, for instance, as the Central of Georgia Railway, Missouri, Kansas & Texas Railway, St. Louis South-western Railway, St. Louis & San Francisco Railroad, Seaboard Air Line Railway, Southern Railway, Illinois Central Railroad, Louisville & Nashville Railroad, Atlantic Coast Line, Rock Island Co., etc.

Cotton Port Receipts. The weekly net receipts of cotton at the principal Southern ports, such as Galveston, New Orleans, Mobile, Savannah, Charleston, Wilmington, etc.

Cotton Ports. Galveston, New Orleans, Mobile, Savannah, Charleston, Wilmington, etc.

Cotton Roads. See "Cotton-Carrying Roads."

Council Bills. See "Council Drafts."

Council Drafts. Also termed "council bills," "India council bills," "India council drafts," etc. These are issued in London and payable in India in "rupees," the money in current use in the latter country. The financial affairs of that country are managed in London by what is known as the "India Council," which offers for sale Wednesday of each week to the highest bidders a certain amount of "council bills," which are purchased by those desiring to make remittances to Calcutta and other points in India. The London papers give the prices at which these bills are sold, distinguishing between those which are sold for remittance by mail, and for what are known as "telegraphic transfers;" namely, where immediate use is wished for the money in India — the latter usually selling at a slight advance over the former. The reports always show the amounts disposed of, and the minimum rates obtained.

Any sales made between the regular Wednesday meetings are referred to as "specials." India payments in London must be made in gold, whereas London payments in India must be made in "rupees." All this is made possible by means of the "India Council."

Country Banks. These are the "member banks," in the Federal Reserve System, that are located in neither a "reserve" nor a "central reserve city," and which need maintain a "reserve" of only 7% of their "demand deposits," and 3% of their "time deposits" in the form of an actual net balance with the "Federal Reserve Bank" of the District in which the particular "country bank" is located. "Country banks" are not allowed to hold the "reserve" of any other "member bank." (See subjects in quotations.)

Country Checks. Much the same thing as "out-of-town checks," except that the term is more specifically applied to checks against banks more remote from the particular clearing-house.

Coupon. Interest coupons are small certificates attached to that part of the bond representing the principal sum, each coupon representing the interest upon the bond for a certain period, there being attached to each bond a sufficient number of these coupons to represent the interest for the entire length of time which the bond may be outstanding before maturity. These coupons, or certificates, are cut off as they severally become due, and presented at the place designated for payment.

Do not detach coupons from a bond other than the next one maturing. Many investors have the habit of visiting at infrequent intervals their safe deposit vaults or "places of concealment," in which they keep their securities, and cutting from their bonds, at such periodical visits, the two or more next maturing coupons, which they will keep at home in some place subject to possible loss or destruction. That in itself is sufficient reason for not doing this. There is a true happening of a woman who had quite a collection of such coupons on a shelf in some room in her house. The windows being left open one day, a sudden draft swept the bits of paper out of doors, and, although every effort was made to find them, there were a few never recovered.

Another objection to this plan is that if, for any reason, a bond, with the coupons so detached, is sold, it necessitates delivering it with the cut unmatured coupons pinned thereon, which is more or less objectionable for many reasons.

When it is intended to send bonds to London for sale, from which coupons not due have been detached, they should be re-attached by means of gummed paper, and not pinned to the bonds.

Coupon Bonds. Any bonds which have attached interest notes or coupons which may be presented for payment at stated intervals as the interest becomes due, and which notes or coupons are made payable to bearer. (See " Coupon.")

Coupon-Clerk. Some large banks have the work so subdivided that a special clerk known as a " coupon-clerk " attends to the collection of bonds and coupons, whether such are among the bank's deposits or left by its customers for collection. If there is a " corresponding clerk " in the bank, the " coupon-clerk " would turn over to him bonds or coupons payable out of town. The " coupon-clerk " has minor duties to perform, but those already mentioned are the principal ones.

Coupon Notes. A " coupon note " would seem to be an ordinary promissory note having a long enough time to run to call for different interest payments, the interest being represented by attached tickets or coupons, which must be presented, from time to time, in order to collect the interest. In most circumstances these notes would naturally be made payable to bearer, passing from hand to hand without indorsements, but this is not necessarily so, as the note may be drawn payable to some person or order, in which event it passes by indorsement; this, however, not affecting the coupons, which are good in the hands of any bona fide holder without indorsement. The notes accompanying a great many of the Western farm mortgages are in coupon form.

" Coupon notes " comprise those having a comparatively short time to run, say five years or less, but when issued by a corporation, in what way they technically differ from a " debenture," it is difficult to say, unless the fact that the latter has a longer life explains it.

Municipalities desiring to borrow money for a relatively short time, yet longer than six months, often issue " coupon notes." This has also been a favourite form of security issued by many corporations of late which have borrowed large sums for short periods.

Coupon Off. Same as " Ex-Coupon."

Coupons, Collection of. Coupons are almost always made payable to " bearer," that is, like a ten dollar bill, good in the hands of any one, therefore, care should be taken in transmitting them from one point to another. The simplest method on the part of an individual to collect the money due upon the coupon is to take it, about a week previous to its maturity, to his local bank, requesting the bank to attend to the collection for him. Banks have the safest and most thorough systems for coupon collecting.

If the owner of the coupon demands a receipt from the bank at such a time, the bank should be careful to give a receipt describing the coupon and stating that the same is taken for " collection only," unless the bank makes a charge for the collection, in which event it is fair that it should assume the responsibility for the safety of the coupon, and the return of the funds collected. Care should be taken, however, not to give a receipt which would in any way guarantee the payment of the coupon.

If it is necessary or more desirable to send coupons to some distant point and not through the local bank, registered mail is the usual method, although express companies are occasionally used for this purpose.

Be sure to cut off from all bonds the proper coupons for the next interest period. It is surprising how often investors detach coupons due the wrong year or the wrong month in the same year.

Course of Exchange. Same as " Rate of Exchange."

Cours Force. A French term having reference to the forced circulation of " irredeemable paper money."

Cours Légal. The French term for the legal tender quality of metallic money.

Covering. See " Short Covering," meaning the same.

C. P. A. Certified Public Accountant.

Cr. " Credit."

Credit. (From the Latin *credere*, to believe.) Delivery of goods in confidence of future payment; deferring a payment. This is nothing more nor less than confidence which one has inspired among others as to his honesty and intent to meet his obligations, with every human probability of his doing so. It enables him to borrow money on his simple written promise to pay; to obtain goods to be paid for later; and is the foundation of all business. "Credit," said Daniel Webster, " is the vital air of the whole system of modern business."

Lyman J. Gage declared that, " next to production and the means of transportation, credit (through which the products of industry are exchanged) is the most important operating factor in our business life."

Conant believes one of the simplest definitions of "credit" to be that of Devas; *i. e.* "Agreed postponement of payments in currency." He considers, however, this definition of Tucker's the best: "The transfer of something valuable to another, whether money, goods, or services, in the confidence that he will be both willing and able, at a future day, to pay its equivalent."

Conant also declares that the fundamental elements of "credit" are confidence and time.

In bookkeeping the credit side of an account is that on which is entered the credit for money received, or its equivalent. For instance, A owes B $15. That fact is entered upon the "debit" side of B's books as a charge against A. But A makes a payment of $10; this fact is entered upon the "credit" (right-hand) side of B's account, showing a credit to A of the amount.

Credit Currency. Currency issued by a bank, the security for which is only the general assets of the institution. The notes of the Bank of France are so secured and are strictly speaking "credit currency," whereas notes of the Bank of England are substantially "gold certificates," as against all additional notes above a certain fixed amount there is a deposit of gold coin and bullion. United States "gold" and "silver certificates" are in no sense "credit currency," as each one represents a like sum of gold or silver deposited to secure it. They are the nearest approach to real money without being actual money that exists.

Credit Insurance. There are companies which will insure a manufacturer, or wholesaler, against loss arising from selling goods on credit. The usual method is for the wholesaler to show his average loss for the past five years, and for the company to insure him for annual losses in excess of that amount. He, very likely, will be required to sell to retailers of a certain commercial rating (see "Commercial Agencies"), and the premium charged may depend upon the grade of rating allowed. The amount of credit allowed to any one purchaser is dependent upon the size of the policy, and the rating of the debtor.

Credit Lyonnaise. One of the French banks, corresponding to the joint-stock banks in London. It holds the same relation to the Bank of France as do the English banks to the Bank of England. The head office is in Lyons, but its principal business and most important position are in Paris.

Creditor. One to whom a sum of money or other thing is due; one who has a just claim for money. In the case of a failure of a business those to whom money is owed by the firm are its "creditors."

Creditor Bank. See "Clearing-House."

Cremation Certificate. A signed statement by certain persons especially selected or appointed, or a certain committee authorized so to do, that they have witnessed the burning (total destruction by fire) of the securities or papers named in the certificate.

Crops. See "Movement of the Crops."

Crore. See "Rupee."

Cross. See "Mark Signature."

Crossed Check. An English custom. When the maker of an ordinary check draws bars, *i. e.* parallel lines, across its face it is understood that the person to whom it is payable cannot collect it directly of the bank upon which it is drawn, but must do so through some other bank or banking house. By this plan the payee will be obliged to seek a bank at which he is known and which will accept his indorsement as satisfactory evidence of the maker's credit.

When the two bars have "& Co.," between them, the check is said to be "crossed in blank," and may be presented at any bank other than the one on which it is drawn, but when the maker wishes it presented at some particular bank, he stamps across its face the name of such bank, and the check is then "specialized."

The above method is a safeguard against checks being cashed when in the hands of illegal holders.

Crossed in Blank. See "Crossed Check."

Cross Exchange. See "Triangular Operation."

Crossing Stocks. The same as "cross trade," to which refer.

Cross Trade. An order received to buy and an order to sell the same stock at the same price by a broker, in which event he might let one order offset the other and not fill them upon the exchange at all. It is contrary to the rules, however.

Suppose Jones & Co. receive an order to sell 100 shares of a given stock at 90; at the same time they receive an order for the purchase of a like amount of the same stock at the same price. All transactions by a member of the stock exchange, in what are known as stock exchange securities, must be made on the floor of the exchange, and the quotations made. It would be perfectly proper for Jones & Co. to "match up," as it were, the purchase of this stock against its sale, provided that there was no other like amount of the same stock offered at a lesser, or bid for at a higher, price on stock exchange than 90. In actual practice, the broker goes to that part of the exchange where the particular stock is dealt in, and declares to the other brokers that " I will take to myself 100 shares of — stock at 90, if there are no objections." Then if no bids or offers are made as above suggested, the final results would be that the 100 shares belonging to Jones & Co.'s customer who gave the selling order, would be transferred into the hands of the other client who had given the purchasing order, each paying Jones & Co. a commission, the matter being actually consummated on the floor of the stock exchange, and the prices made public through the usual channels. This is commonly called " crossing stocks." (See also " Matched Orders.")

Crown. An English coin equal to five of their shillings or $1.216 in United States money. Also the monetary units of Austria-Hungary, Denmark, Norway, and Sweden, the first being equal to $0.203, the other three $0.268 in United States money.

CT. The " ticker " abbreviation for " certificates."

Cum Dividend. The English equivalent of the American term " dividend on."

Cum Rights. Inclusive of " rights."

Cum Rts. " Cum rights," *i. e.* inclusive of " rights."

Cumulative. This, as a rule, has reference to " preferred " shares of stock. Unpaid dividends upon such stocks accumulate from year to year, and must be paid before the common or other stocks which come after can receive anything. A " cumulative " issue often acts to the detriment of the common shares, as it naturally lessens the chances of dividends upon them.

A good illustration is that of the Rutland Railroad Company preferred and common stocks. The former is 7% cumulative, and the amount of unpaid dividends now due on this stock (January, 1921) and which have accumulated through failure from year to year to meet the 7% requirements, amount to 261%. Unless, therefore, some readjustment of the financial plan can be made the common stock has a very questionable value, for if no dividends can be paid upon it until the back dividends accumulated upon the preferred have been made up, there seems little hope for the common from a dividend standpoint.

Cumulative Income Bonds. See " Income Bonds."

Cumulative Preferred Stock. See " Cumulative."

Curb. Securities which are not traded in upon the large stock exchanges, or new securities which have not as yet been listed upon such exchanges, are handled in what is known as the "curb" market. In New York, the trading in such securities actually takes place on Broad Street opposite the Mills Building, where gathers daily from 10 A.M. to 3 P.M. a noisy crowd of brokers. The name "curb," therefore, has real application under the circumstances. Many years ago, before the establishment of stock exchanges, practically all trading was upon the "curb;" that is, on some understood place in the street, as is the case in New York. In Boston, the last location of what was strictly a "curb" market was upon Exchange Place, but it is now in a building on Exchange Street, although it still retains the term "curb" as part of its name. In truth, it is today merely another stock exchange dealing in securities not listed upon the larger exchange.[1] A "curb" market existed in London in 'Change Alley for nearly a century. A "curb" market existed in Paris in 1720, for at the time of the "Mississippi Bubble" it was necessary to rope off the Rue Quincompoix for protection against the general public.

Any security may be dealt in upon the "curb." Such a high-priced stock as Standard Oil, as well as the most speculative class of investments, exchange hands in this way. In New York, dealings upon the "curb" have become so extensive that many of the regular stock exchange houses conduct a "curb" department. There are very few houses which will permit marginal transactions except in the very best "curb" securities.

Curb Broker (or Curbstone Broker). One who, usually, not being a member of the stock exchange, transacts business upon the "curb" (see "Curb") or by going from office to office.

Currency. "The power of passing from hand to hand;" money. As one writer says: "that while money is currency, currency is not necessarily money;" this presupposes a very technical definition for "money." For our purpose, a definition of "currency" will do that calls it: whatever is in common use among persons serving them as money to buy commodities or pay debts.

Currency Act. See "Financial Bill."

Currency Bond. A bond not specifically payable in gold coin, but in any lawful money.

Currency Certificate. Another term for "Legal tender certificates."

[1] The reason for a market in the open rather than in some building, is that if the latter plan were pursued, there would, in truth, exist another exchange. The rules of the New York Stock Exchange do not permit its members to be represented upon another exchange, and the market in the open is not so considered. Now that the "curb" exchange in Boston has gone under cover, it is not permissible for members of the stock exchange in that city to send representatives to the exchange although they may continue to do business with the "curb" brokers.

Current[1] Account. An account not closed, but showing transactions from time to time.

Current Assets. "Shifting and changeable assets"[2] such as cash on deposit and on hand, accounts and bills receivable, marketable securities and inventories. (See also "Quick Assets.")

Current Liabilities. Amounts owed subject to constant change, such as accounts payable, loans payable, bills payable, interest and dividends accrued towards the next payments, pay rolls, etc. Floating indebtedness of all kinds comes under this heading, particularly debts due within twelve months.

Current Prices. Present prevailing prices.

Curtailing a Note. If a note falls due and the borrower wishes to extend it for a lesser amount by making a partial payment upon the same, or gives a new note for the reduced sum after making such a payment, the process is called "curtailing." Making partial payments upon a "demand note" from time to time would be to the same effect.

Cutting a Melon. See "Melon."

CV. The "ticker" abbreviation for "convertible."

D

d. Penny (pence.)

D. The "ticker abbreviation for "debenture" or "division."

d/a. Stands for "documents for acceptance," to which subject refer.

Daily Balances. Trust companies, as a rule, and sometimes other banking institutions, allow interest to their depositors upon "daily balances" of over a certain amount, say $300 or more. This means that at the close of each business day, the total amount which each depositor has had to his credit unchanged for the last preceding twenty-four hours is ascertained, and if equal to or over the $300, or whatever the agreed sum may be, then interest is allowed for the day upon such amount, but only on sums divisible by $100; that is, no interest would be allowed for the fractional amounts greater than the even hundreds.[3] If, however, the deposit

[1] This word is from the Latin verb "currere," to run.

[2] T. F. Woodlock.

[3] This last, however, is subject to some flexibility, To illustrate: if the amount of the daily balance is $625, the institution would figure it as an even $600. On $699 it might figure it as $700. Some minimum amount, as, say, $90, in each $100 may be taken and any over $690 and less than $700, for instance, would be figured as the latter amount. It is also some-

is less than the agreed sum, no interest is allowed for that day. By this method, a depositor is encouraged to keep his deposit equal to, or greater than, the sum specified, and, furthermore, a lesser sum is not supposed to be profitable enough to a banking institution to warrant the payment of any interest upon it.

Daly-West. The Daly-West Mining Co. (gold). In 1902 it absorbed the Quincy Mining Co.

Date of Bonds. Care should always be taken to avoid dating an issue of bonds upon Sunday. A New Jersey city issued recently $50,000 worth of bonds dated on Sunday. New ones had to be created to replace them.

Dating (Dating a Bill). A commercial term. A purchaser of goods persuades the seller to date the bill a certain length of time ahead of the actual shipment, say thirty days, and then, if he is accustomed to a certain other definite length of time to pay in, the time does not begin until the expiration of the thirty days. By this plan an extra credit time is obtained.

Day Book. This is one of the account books used in single entry bookkeeping, another name for which is "blotter." (Refer to that subject.)

Days of Grace. Generally three extra days given by the "grace" of the payee (see "Payee") in which a note or other paper may be paid after its maturity. Formerly no interest was charged for the three days, later, interest was charged, but now the custom of allowing "days of grace" has practically ceased. If the laws of a State provide for "days of grace" and the same are demanded, then it is understood that interest may be added for the time. Neither party can make or obtain payment before the expiration of the time except at the pleasure of the other. "Grace" prevails throughout Great Britain, but does not exist upon the Continent.

Day-to-Day Loan. A loan of money for over night, and, possibly, renewed from day to day.

In New York the following custom prevails:

If a call for payment or a renewal is wished, notice to that effect must be given by one party to the other between the hours of 11 A.M. and 1 P.M. daily. In the event of no such notice being received by either party the loan continues until the next day, the lender notifying the borrower what the rate will be for the succeeding twenty-four hours. It is fully under-

times left to the judgment of the one in charge of that work of the institution, to take into consideration the activity of the account. If it should be inactive and running a balance of, say $650, he might add, at the end of the interest period, a few hundred dollars to the amount on which he figures the interest.

stood that no demand for payment of a "day-to-day loan" will be made after 1 P. M. Loans made on Friday are carried over till Monday.

D. C. 3.65s. "District of Columbia bonds" bearing 3.65% interest. (See subject in quotations.)

Dead Assets. Valueless or non-income-producing property

Dead Luck. A man who has lost all financial means; a non-income-bearing, valueless, or defaulted security.

Deal. A transaction made without general public knowledge; a scheme for profit; a secret financial arrangement for the advantage of those engaged in it, as a "railway deal." "There is a deal on in Grand Pacific." By this is meant that those controlling the affairs of that company are making secret arrangements, or plans, the result of which will probably cause its stock to advance in price, or return other profits to those engineering the "deal." A "deal" is sometimes the taking advantage of forthcoming events at the expense of the stockholders.

Dear. Money had a "tendency to be dear;" meaning that there was a tendency towards an advance in interest rates at which money could be borrowed.

Dear Money. High interest rates; money difficult to borrow and then only at a high rental.

Debasement of Currency. A reduction in its quality; an impairment of its worth or purity; a degradation of gold or silver by the use of an alloy.

De Beers. The De Beers Consolidated Mines, Limited. A diamond mine of South Africa, whose securities are largely dealt in upon the London Stock Exchange.

Debenture. "Debenture bond" (which subject see) is the security usually understood by this term. Throughout the Dominion of Canada, however, as well as Great Britain and her colonial possessions in general, the term "debenture" is used in speaking of municipal obligations, such as we refer to as "bonds." Canada being more or less influenced by its dealings with the United States, uses the expression "municipal bond" almost as much as "municipal debenture," although, in speaking on the subject generally, they make a distinction by using the word "debenture" to indicate a municipal issue as against the word "bond" for a corporation security. In Great Britain, the word "debenture" is often used to distinguish "debenture" issues of railroads where there is no "trust deed" securing the same.

Debenture Bond. An evidence of indebtedness issued by a corporation having precedence over its preferred and common stocks. It is commonly nothing more than a note, very likely in coupon form, and not secured by mortgage.

A so-called " debenture bond " does sometimes carry a lien of some sort upon the property of the company, but the writer is of the opinion that " debenture " is not the proper title for a bond so secured, but " mortgage debenture " should be used. Certainly in this country in the earlier days of banking a " debenture bond " was one unsecured by mortgage; not so in England, however.

Provision is often made that no mortgage indebtedness shall be created during the life of a " debenture " issue which shall not equally secure the latter. This is a very desirable feature and enhances its value.

Technically, when a railway or other corporation deposits stocks and mortgage bonds in a trust company and issues another bond against them, a " debenture mortgage " is the result, but by custom such bonds are often called " collateral trust."

There are issues bearing the name of " debenture mortgage bonds " which are actually secured by junior liens directly upon the property, as in the case of the Wabash Railroad Company, which had such an issue, divided into two classes: Series A and B, commonly called " debenture A " and " debenture B " bonds; the former having preference for interest only over series B. Interest on either issue is not payable unless earned, and is non-cumulative.

The desirability of a " debenture bond " as an investment depends largely upon the financial status of the corporation by which it is issued, and upon the amount of indebtedness having a prior claim. No foreclosure can be accomplished in case of default; the holder is simply a noteholder and must take what he can get after all prior claims are satisfied.

Debenture Income Bonds. See " Income Bonds."

Debenture Mortgage. There was a very general custom some years ago on the part of " farm mortgage companies " of issuing what were known as " debentures." The farm mortgage company would deposit, say, $110,000, par value, of mortgages upon real estate, with some trust company, and issue against them $100,000 worth in " debentures " bearing a less rate of interest than the mortgages. There was supposed to be less risk to the investor in buying one of these " debentures " than in purchasing any specific mortgage. This class of securities should be called " debenture mortgages." Comparatively few such investments, however, are being dealt in at present.

Debenture Mortgage Bonds. See " Debenture Bond."

Debentures or Debenture Stock. The English equivalent of the American term "debenture" or "debenture bonds," except that in Great Britain such a security is generally and should be secured by a mortgage or by the hypothecation of specific securities. This, however, is not always the case, and when not so, it assumes more the form of our American "debenture." The English "debentures" rank ahead of the "preference" and "ordinary shares." Gabbott[1] says that "Debenture stock is the absorption of mortgage debts; it is the first charge on a company. The interest is at a fixed rate, and the claims on a company as binding as a mortgage." ("Irredeemable Debentures" may be read in this connection.)

Debit. To make a charge against; to charge a person with goods sold. In bookkeeping the debit side of an account is that on which is entered the charge for money or its equivalent delivered; for instance, if A owes B $15 it would stand on the debit (left-hand) side of B's books as a charge against A.

Debtee. One to whom a debt is due; a creditor.

Debtor. A person who owes another either money or its equivalent. A person running an account at a grocery store becomes its debtor for the amount owed. An insolvent debtor is one who has not sufficient money or property to pay all debts.

Debtor Bank. See "Clearing-House."

Debt Per Capita. On Jan. 1, 1917, the per capita net debt of the United States was $10.965.

Deed. A document in writing (generally a printed form to be filled out in writing is used) rendered authentic by the seal of the party whose intention it is supposed to declare; in practice, a document used for the purpose of transferring the title of real property from one to another. In law a "deed" is any instrument bearing a seal.

"Deeds" conveying real estate are commonly of two kinds. First, a "quit-claim deed," by which the one giving it in no way holds himself responsible for any defects in the title; that is to say, he merely transfers his own rights and interests therein, whatever they may be, and if the title is imperfect the one accepting the deed can recover nothing. Second, a "warranty deed." This differs from the last named by the party giving the deed guaranteeing the property conveyed to be free from any defects of title, and under this the acceptor of the deed is entitled to recover should a defect subsequently be discovered.

Deed of Trust. See "Trust Deed."

Defaced Coin. Metallic money which has been tampered with; cut, stamped, injured, or changed in any way.

[1] "How to Invest Money," E. R. Gabbott.

Default. A failure to meet an obligation or promise. If, at the time due the interest upon a bond is not paid it is said to be in "default."

Defaulted Bonds. See last subject.

Deferred Annuity. A fixed sum of money payable yearly, but the payment of which does not begin until the expiration of a certain time or after the happening of some event, as the death of a person.

Deferred Bonds. The holder of such a security receives a gradually increasing rate of interest up to a fixed rate, after which time the rate of interest is supposed to be uniform. Or bonds upon which the interest is deferred until some future date.

Deferred Dividend. By reading "deferred stock" one meaning of this may be found. Life insurance companies term "deferred dividends" those which are not distributed among the policy-holders yearly, but retained by the company and paid to the holders at greater intervals, say twenty years. (See "Tontine Insurance.")

Deferred Ordinary Shares (or Stock). The English equivalent of the American term "common stock," but only a part of such issue. (See "Preferred Stock" and next subject.)

Deferred Shares (or Stock). Shares in a corporation, the holder of which is not entitled to receive dividends until the expiration of a fixed time or until some specific event has taken place. (For an explanation of the English use of this term see "Deferred Shares," in Addenda and "Preferred Shares.")

Deficit. When the losses of a business are greater than the gain or profit, or when an industry costs more to operate than its receipts, it is said to have made a "deficit." To say a business has "earned a deficit" simply means that it has been run at a loss.

Del Credere. A commission charged by a broker or factor who guarantees the solvency of the customer for whom he transacts business. Also the obligation itself so incurred.

Delinquent Tax Certificates. These were formerly a not uncommon form of investment in the West, as well as in some other sections of the country, but their desirability is questionable, as there are many objections. It may be a long term of years, according to the State in which the property is located, before one may know, without question, as to the actual outcome, and the money may be, therefore, tied up for that length of time. There is also a possibility of a law suit to defend the title. The rates of interest are usually very high, but should be in order to offset the bother and uncertainty incident to an investment of this class. The laws relating to tax certificates vary greatly in the different States, but some idea of their general characteristics may be obtained by using two Western States as examples.

Colorado. Tax certificates are issued by the County Treasurer for lands sold for unpaid taxes. They are a first lien on the property, but the land may be redeemed from the lien at any time within three years after the date of sale or thereafter at any time before the execution of the deed to the purchaser. To effect such redemption the owner of the land must pay the County Treasurer for the benefit of the holder of the tax certificate the amount for which the land was sold, with interest thereon from the date of sale at the rate per cent. per annum bid by the purchaser at such sale not to exceed the rate of 24% per annum for the first six months, 18% per annum for the subsequent six months and the remaining period the rate of 12% per annum, together with the amount of all taxes accruing on such real estate after the sale paid by the purchaser and indorsed on his certificate of purchase with the interest thereon at the rate of 12% per annum, provided, that from the time when the purchaser is entitled to a deed such taxes shall bear interest at 8% per annum and no more up to the time of applying for such deed. If no redemption is made within the three years the holder of the tax certificate is entitled to a treasurer's tax deed upon giving certain notices. This deed cannot be attacked in court for irregularities after five years after the execution and delivery thereof, except the owner be a minor, or insane, or an idiot residing in the United States, in which case he shall have a year after disability is removed to bring such action.

Such tax certificates are assignable by indorsement.

Wyoming. Redemption may be made in three years after sale by payment of amount of sale and 15% on same, with 10% interest per annum on whole amount and subsequent taxes, and 10% per annum thereon. Tax deed in three years.

Deliveries. Deliveries of securities upon the New York Stock Exchange must be made not later than 2.15 P. M. on the day sold, if for "cash" or if sold in the "regular way" then before 2.15 P. M. on the following business day. On half-holidays which the exchange observes, cash sales require delivery not later than 11.30 A. M. No deliveries are made on Saturdays.

In case of failure to make deliveries as above, the undelivered portion may be bought in "under the rule." (See the various subjects quoted; also "Bids and Offers" and "Transfer in Blank.") If delivery is offered after hours the buyer may refuse it until the following business day, but the seller has no right to demand interest for the extended time.

Delivery Day. Among those trading in grain, for future delivery, the first trading or business day of the month is so known. The "seller's option" feature, however, permits of delivery on any business day of the month for which the sale was made. All contracts for future delivery are "seller's option" (see that subject).

Delivery Price. See "Stock Exchange Clearing-House."

Demand Bills. Bills of exchange (see "Exchange") payable on demand; on presentation. Practically the same as a "sight bill." For exception see that subject.

Demand Collateral Paper. See "Collateral."

Demand Draft. See "Draft."

Demand Exchange. See "Demand Bills."

Demand Loan. A form of note or promise to pay, the borrower having the right to pay off the loan at any time — presumably not the same day it is made — and likewise the lender the right to demand payment, Sundays and legal holidays being excepted in each case.

In New York the custom prevails for parties to demand loans either wishing to make or receive payment, to give notice to that effect before one o'clock P. M., and for payment to be made before 2.15 P. M. that same day. It is not customary to call loans there on Saturday, Friday loans carrying over until Monday. In that State any rate of interest is permitted on collateral call loans of $5,000 or upwards.

Unless written otherwise in the note, a "demand note" bears legal interest after demand for payment has been made; it is payable on presentation without "grace." The laws differ in various States as to the length of time an indorser is held on a "demand note," but generally for a limited time only.

Rate of interest may be stated in a note of this nature, but it is quite customary for borrowers of "call money" (as it is otherwise known) to have no stipulated agreement as to the rate with the lender, his charge for interest varying from time to time in accordance with the money market. In case of any change it is customary for the holder of the note to notify the borrower of the rise or fall of interest upon the loan; such action being referred to as "marking up rates," or "marking down rates." At times the rate of interest may seem excessive to the borrowing party and he may prefer to exercise his right to pay the loan off, either with cash on hand or by borrowing elsewhere. In the latter event, it is known as "shifting loans."

"Demand," or as they are more commonly termed, "call loans," are at present mostly made by bankers and brokers borrowing on collateral securities, and are not so much in vogue among other classes of borrowers.[1]

[1] Conant, Bolles, and others, raise the question as to whether, in times when banks may suddenly be called upon to return large amounts of money

Demand Sterling. Demand exchange on London. (See "Exchange.")

Demurrage. When any vehicle of transportation, such as a car or vessel, is detained beyond the time allowed, either for loading or unloading, a per diem charge called "demurrage" is made.

Denationalizing the Currency. If the Government should withdraw its issue of "greenbacks" and place the issuing of paper money more in the control of the banks, that would be a step toward "denationalizing the "currency."

Denomination. The face value of a bond. Most bonds are issued in the "denomination" of $1,000, although the $500 and $100 "denominations" are not uncommon, and bonds of almost every conceivable "denomination" have been placed upon the market from 50 cents up to $1,000 and occasionally for a greater sum than the last named; especially is this so in the case of registered bonds. Our Government bonds are sometimes issued in $50,000 pieces.

Deposit. The person who places money — or titles to money — securities, or anything of value, in the safe-keeping of a bank, other corporation, or individual, makes a "deposit," and in the act of so doing he "deposits."

Some essential points regarding making deposits in a bank or trust company should be referred to. In the first place, in sending by mail, write a full description of the checks, etc., enclosed; that is, the amount of each and the banks upon which they are drawn, and, if money is sent, describe it in detail. Keep a copy of the letter.

If a deposit is made directly at the institution, a deposit slip or ticket may be obtained, and the blanks should be filled out giving the same general information as suggested above. In the case of a deposit of coupons, envelopes to contain them

to their depositors, "call loans" on collateral security are as available as quick assets as what is termed "commercial paper." The banker or broker depends very much upon the sale of the security behind his loan for the ultimate payment of the same, and in times of great financial distress it may be very difficult to realize on anything but the very highest grade stocks and bonds, and not always upon them. An instance pertinent to this question arose during the financial troubles of '93. A national bank suddenly called upon a banker for the repayment of a large "call loan" which he had been carrying with the institution. He confessed his utter inability to pay it. The cashier threatened him with the sale of his collateral if payment were not immediately forthcoming, to which the banker very honestly made the following reply: "Very good, I shall be delighted to have you effect the sale of the same, and will gladly pay you a commission for so doing. I have been using every effort to sell the securities myself for a week without success." The banker truly represented the conditions at the time, and it is needless to say that no further pressure was brought upon him for the repayment of his loan. The bank was obliged to obtain money from other sources.

will usually be furnished by the bank, with printed blanks upon the outside to be filled in by the depositor, and the amount as shown by the envelopes entered upon the deposit ticket.

A word in regard to indorsing checks for deposit. The simplest form to follow is: " Pay to the order of the Ninth National Bank of Portland " (for example) and then the depositor signing his name immediately below. (For further information upon this subject see " Indorse " and " How to Open a Savings Bank Account.")

This subject needs no further treatment, except to remind those carrying a deposit " subject to check " that they are prone to consider all checks and other items which they may deposit in their bank as cash, and proceed at once to check against them. As a matter of fact, although banks make a habit of crediting checks at once to the depositor, they may not themselves get the benefit of the money for some days, and, to that extent, the depositor obtains previous use of the money. Suppose, however, some of these checks or other items which may have been immediately credited to his account are uncollectable by the bank. They will be returned and charged against the depositor's account; and so it is a thing to bear in mind on the part of those who may be checking their accounts down to the low point, that occasionally some check, etc., may be returned unpaid, and an " overdraft " possibly result.

Deposit Book. See " Bank-Book."

Deposit — Certificate of. See " Certificate of Deposit."

Depositor. One who places money in a bank; that is, makes a deposit, is the usual meaning in banking affairs; but a depositor may be one who commits securities, valuable papers, or anything, to the care of another.

Depository of Public Moneys. See " United States Depository."

Deposits (" Bank Statement "). Deposits as referred to under " Bank Statement " are somewhat difficult to define from the fact that money itself to the full amount of the deposits is not necessarily understood, for the reason that a man with a deposit of $50,000 may borrow from the same bank $25,000, which, instead of being paid to him in cash, will be credited to his account, swelling it to $75,000. One-third of this amount, therefore, certainly is not cash, and the increase in the deposit does not increase the bank's money holdings. This explains why an increase in deposits follows an expansion of loans. Such matters are all based on credit and a due appreciation of its importance in connection with financial and business affairs should be kept constantly in mind.

The deposits of the associated banks of New York are divided so as to show separately the amount of "net demand deposits" and "net time deposits" (for an understanding of which turn to the subjects in quotations), and enables one to estimate the "reserve" requirements, as explained under the subject "Reserve."

Since the inauguration of the Federal Reserve System so many of the old banking customs of this country have been changed, it is recommended that all those who desire a better understanding of this subject should read the "Federal Reserve Act" to be found at the end of the book.

Deposit Ticket or Slip. Blanks provided by banks and filled out by those wishing to make deposits subject to check. The depositor writes in his name, date, amount of deposit; giving a list of the kind of money, checks, etc., deposited. This is handed, or sent, to the bank with the deposit and bank-book.

Depreciated Currency. When it takes more than a like amount, face value, of any kind of money to have the same purchasing power as gold coin, the former is a "depreciated currency." The paper money of the Confederate States had greatly depreciated towards the end of the Civil War.

Depreciation. In making up a statement of earnings of a business or corporation it is very easy to deceive oneself by not taking into proper consideration the falling off in value of the property on account of the wear and tear; machinery becoming antiquated; reduction of the life of the property, as in the case of a mine, etc. In examining the statement of earnings furnished by a company in which a person is considering investing money this matter of "depreciation" should be seriously considered. It differs, of course, in different industries, but it is safe to say that the depreciation in what is called an industrial property is considerable. Some manufacturing concerns make a point to set aside each year from their profits a sum equal to 10% of the cost value of all the machinery and 5% of the cost value of the buildings. The question of charging off real estate depends upon the location, etc. In street railways the depreciation is very large. This does not appear at first, and in new roads the net earnings are given as much larger than they will appear later on unless there is an increase in business. The wear and tear to electric plants is considerable. In many classes of business which have been running years, so that the depreciation is constantly apparent, calling for repairs to the machinery, etc., it may be a sufficient safeguard to charge all such repairs, replacements and the like to operating expenses and create no special fund to cover it, but it must be certain that such repairs and replacements are equal to the actual depreciation. If some method is not adopted to set aside from earnings each year a sum to offset the depreciation of the property, the share and bondholders of such a corporation will eventually find that they have had their investment gradually returned to them in the shape of dividends and interest, representing a piecemeal payment of their principal sum rather than actual profits of the corporation. Bear in mind that it is always easy for any corporation, by a method of bookkeeping, to show fictitious earnings, and it is to safeguard this very thing that a competent " expert accountant " should, in the majority of cases, verify the earnings of a corporation before the investor may safely purchase its securities.

A distinction is made between " depreciation " and loss resulting from " wear and tear," on the ground that no matter if a plant is continually kept in the most thorough repair, the time is bound to come when, on account of newer mechanical devices and inventions, it will have to sooner or later be entirely replaced. A piece of machinery, even in the best of repair, may be suddenly thrown out and replaced by a different one. The former is but little more than old junk; the cost of the new is what must be provided for by a " depreciation account," which includes obsolescence.

Greene[1] in reference to the depreciation of street railway property declares that " In the cases of companies freshly established and operating in large cities, it may be assumed, for the purpose of a rough calculation, that the roadbed will require a complete renewal in ten or twelve years, the overhead construction (if the trolley is used) within fifteen years, the electric station and buildings in from twenty-five to fifty years, the car bodies in twelve or fifteen years, and the motor trucks ten or twelve years, with the steam machinery in fifteen years. These averages of life should, of course, be extended in cases where circumstances would make such a test too severe, as for instance, in interurban lines using the turnpikes."

Derogation. As used in relation to securities, it means a subtraction from or alteration of a contract for the sale of the same.

Destroyed Securities. See " Care of Securities " and " Bond of Indemnity."

Detroit United. Detroit United Railway Co. (Street Railway.)

Differential. A rate less than the regular or tariff rate allowed to a road disadvantageously situated, by a competitor in order to equalize conditions and avoid rate wars.

[1] Corporation Finance.

Digested Securities. See " Undigested Securities."

Dime. A small silver coin of the United States of the value of one-tenth of a dollar, or ten cents, containing 34.722 grains of fine silver, and 3.858 of alloy. Legal tender in amounts not exceeding $10.

Dinar. The monetary unit of Servia, the same as that of the " Latin Union," and equivalent to $0.193 United States money.

Direct Exchange. " Exchange " between points in two different countries (or two points in the same country) without the intervention of a third, as in the case of " triangular operation."

Direct Obligation. The obligation to pay on the part of the person, corporation, etc., named. As an example, take the Baltimore & Ohio R. R. Co., Southwestern Division bonds. These are really a first mortgage upon certain portions of the railroad property, but, in case of financial disaster to the road, if there were not sufficient value in such property as the mortgage covers, the Baltimore & Ohio R. R. Co. itself would be responsible for the payment of the difference. Again, if the earnings of the property covered by the mortgage are not sufficient to protect the interest and principal of the bonds, as due, the Baltimore & Ohio R. R. Co. is liable for any deficiency.

Dis. Short for " discount."

Disagio. See " Agio."

Discharge of Mortgage. See " Release of Mortgage."

Discount. The percentage or price of a security below its par or face value. Taking the face value as $100, a share of stock selling at 95 would be selling at 5%, or $5 per share, " discount." The par value of various securities differs, however (see " Par "), therefore, it does not argue that because a share of stock is quoted at 95 it is selling at a " discount," for, if by chance the face value of that share happens to be $50, it would really be selling not at a " discount," but at a premium of 90%. There are exceptions to this, however, for which see reference to stock exchange rules under " Par."

For another meaning of " discount," see " Disagio," as described under " Agio."

Paper money is at a " discount " when, in order to obtain one dollar in gold, it is necessary to give more than one dollar in paper money. During war times, in the early '60's, it took $1.25 in paper money to obtain $1.00 in gold.

A note is " discounted " when the interest upon the same is deducted by the lender from the amount loaned; that is, the borrower pays the interest in advance. This amount of interest retained by the lender is called the " discount," or " bank discount." The amount of money which the lender obtains, that is, the face of the note less the " discount," is called the " proceeds," or " net avails."

By this method, he does not receive a sum of money equal to the face of the note, because the lender has deducted the interest. There is another plan which may be best explained by an example: Carlton wishes to borrow $10,000 for six months at his bank; he wishes the full amount. The bank proceeds in this way: Interest is figured on the $10,000 for six months at the agreed rate, say 6% per annum. This would amount to $300. Then the interest for the same length of time is figured again at the same rate on $300, amounting to $9. These two interest amounts are added to the $10,000, equalling $10,309. The borrower signs a note for that amount and in return receives $10,000. When the note becomes due, he pays $10,309. Therefore, the amount of " discount," or interest deducted by the bank, amounts to $309.

There is another method of figuring this, which is more favourable to the lender than the above. It is to find the interest, *i. e.* the " discount " for $1 for the time and rate, which in this case would be 3 cents. Deducting this from $1 you get $.97 as the " proceeds " of $1 after deducting the " discount." As $10,000 is the amount of money which Carlton desires, you divide $10,000 by $.97 the " proceeds " of $1, and get a result of $10,309.28, which is the amount discounted at 6% for six months, which will produce $10,000, the required amount. It will be seen that this method favours the lender to the extent of $.28 in this particular case.

Another question which often arises having a bearing upon this subject is best explained by an example: Wilson holds a ninety-day note for $1,000, dated June 5th, " with interest " at 5%; namely, interest payable at maturity, not deducted, as in the case of " discount." On August 5th he has sudden call for the money and goes to his bank and " discounts " the note for the balance of the time which it has to run. The " proceeds " is figured after this fashion: Wilson is entitled to the interest on the note for the time he has held it, which fact must not be lost sight of. The face of this note then is really $1,000, plus the amount of interest from date of issue to date of maturity; that is, ninety days, which at 5% would be $12.33 (New York method — see " Interest "), making a total face, for the purpose of figuring the discount, of $1,012.33. It is now necessary to ascertain when the note matures. If it had read due in " three months after date," September 5th would have been the date of maturity, but as it is due " ninety days after date " you proceed in this way:

90 days from June 5 + 5 days passed in June	= 95
Less days in June	30
	65
" " " July	31
	34
" " " August	31
" " " September	3

making the note due September 3d and not the 5th, as would have been the case had the note read due in "three months after date." Note this distinction, as it is continually arising.

The note, therefore, matures September 3d. "Discount" must be figured, then, from August 5th to September 3d, as follows:

Number of days in August	= 31
Less days passed in August	5
	26
Add number of days in Sept.	3
	29

The "discount" will be figured on $1,012.33 at 5% for twenty-nine days, which amounts to $3.97. Wilson will receive, therefore, $1,012.33 less this last amount, or $1,008.36. The main point here is that to figure the "discount" on a note after its date and during its life, which note was made payable "with interest," the amount of interest is added to the face of the note and upon that sum the "discount" is figured for the unmatured time.

In Great Britain and Continental Europe, the term "discount" is very generally used as the equivalent of our "time money."

(See "Bank Discount" and "True Discount.")

Many things are "discounted" in the stock market and in general business-dealings. When something expected to take place in the future is reckoned upon in advance, and acted upon accordingly, the event is "discounted." As an example: Suppose, previous to a presidential election, stocks are selling at comparatively low figures, and it is thought that the election of a certain one of the candidates would be beneficial to general prosperity, and that if such an election should be realized stocks would consequently advance in price. This fact is "discounted" when the belief of the election is so certain that the advance in stocks takes place some time previous to the actual election.

Discount Clerk. A clerk only especially employed by the larger banking institutions. He attends to all " discounted " paper; figures and makes payment to the borrower after acceptance by the bank; keeps record of bills receivable; is the custodian of the same, and obtains and keeps track of much information very necessary to the officers of a bank in relation to its loans.

Discount Day. Some stated day of the week upon which a bank " discounts " bills or notes.

Discounted. In the sense of anticipating an event. (See last paragraph of " Discount.")

Discount Rate. (First read " Discount.") The " discount rate " or the rate of discount is the rate of interest deducted in advance from the face of a promissory note. In other words, if the " discount rate " is 5%, the face of the note \$1,000, the time which it has to run six months, 2½%, or \$25, is deducted from the face of the note, the bearer receiving, therefore, but \$975. When the loan matures, however, \$1,000 must be repaid.

Discount Rates. The rates at which first-class paper is being " discounted." (See " Discount " and " Bank of England Discount Rate.")

Discretionary Accounts. Accounts in which the buying and selling, the price, and the choice of the stock are left entirely to the broker. Beware of them! Look out for advertisements of such! They ask the gullible public to send in its money; that the advertisers know just what the market is going to do, and if money is sent to them and left entirely to their discretion as to its expenditure, untold wealth will roll in to the senders.

The quickest way to force the utter absurdity of such statements upon the minds of those who are hunting for opportunities to separate themselves with great rapidity from their money, is to make known the fact that no stock exchange member is allowed to advertise the taking of such accounts.

Discretionary Order. The nature of such an order is explained by the last subject. One given a legitimate broker is usually, and always should be, accepted with hesitation. It is not good policy to either give or receive " discretionary orders " as it places too much responsibility upon the broker.

Discretionary Pool. For all practical purposes the same thing as a " blind pool; " at least, the one in control is allowed entire freedom to do as he sees fit with the interests of all.

Dishonour. A failure to pay as agreed; a refusal to accept a draft or a bill of exchange.

Distillers. Distiller Securities Corporation, now U. S. Industrial Alcohol Co.

District of Columbia Bonds. The bonds of the District of Columbia bear 3.65%, for the payment of which — principal and interest — taxes are levied upon the property within said District. But the faith of the United States is also pledged for the payment of these securities, so they are considered United States Government bonds.

Div. Division or dividend.

Dividend. This is the proportion of the earnings of a corporation received by the owners of its stock, and represents to them their profits in the enterprise. These profits are distributed in proportion to the par value of the stock. Suppose that a corporation with $100,000 capital enjoyed prosperous business and at the end of six months or a year had earned $15,000 in the way of profits. The directors of the corporation meet and decide that they will divide among the stockholders $10,000. Each holder of one share of stock (supposing the par value of such share to be $100) receives $10, which would be called a "dividend of 10%;" this would leave $5,000 still in the business of the corporation, which it had not divided among the stockholders. This could be treated in two ways; left on the books as "undivided profits," that is, profits which might be divided at some later time, or even possibly the following year, provided the earnings of that year did not come up to the expectations; or it could be treated as a surplus fund and called "surplus."

By this latter method it would be almost equivalent to an increase in the capital stock, and would represent, in this case, 5% of such capital; each owner, therefore, would have the right to value his stock for that much more accordingly. Of course, the distinction between "undivided profits" and "surplus" is largely a matter of bookkeeping, but when put under the latter heading it gives rather a better impression, and lets the corporation enjoy a somewhat better standing than as if classed under "undivided profits;" for under the heading of "surplus" it indicates to the public at large an inclination on the part of the corporation to build up its capital rather than to divide up all its earnings.

When the creditors of a bankrupt receive payments they are called "dividends;" payments made from time to time to the depositors of a bank in liquidation, or to the share holders of the same, are "dividends." There are a great many applications of this word.

The "dividends" of the earnings of any corporation are usually declared or paid at stated intervals; for instance, the first of January and the first of July of each year. If no "dividend" should be declared during the July period, with no intent of declaring any before the next fixed date, which would be January, the July "dividend" would be said to have been "passed," or in other words, the company had "passed its dividend."

Unless otherwise stated by the corporation declaring it, a dividend is presumed to be — and should be — paid from net earnings or profits.

Dividend Balance. The earnings of a corporation after deducting operating expenses of every kind, taxes, insurance, any expenditures charged against operating, interest on floating and bonded debt, and amount set aside for sinking fund. In other words, the earnings of a corporation which are available for dividends.

Dividend, Extra. The majority of corporations have established fixed rates of dividends upon their stocks. These are known as "regular dividends." Anything over and above this rate may be styled an "extra dividend."

Dividend in Liquidation. When a business or industry of any kind is being wound up, closed out, "liquidated," and money paid from time to time to those to whom it is due, the creditors, stockholders, owners of the business, depositors (in case of a bank), etc., these payments are called "dividends in (process of) liquidation."

Dividend Off. The sale of a stock with the agreement that the dividend about to be paid shall not go to the buyer; or that the buyer of a stock is not entitled to the next dividend paid. Sometimes called "Ex-dividend."

When a large company declares a dividend, it usually fixes a day upon which its transfer books shall be closed. From this time, until the books are again opened, no transfers can be effected. (See "Books Close.")

Dividend On. The sale of a stock with the agreement that the dividend about to be paid shall go to the buyer; or that the buyer of a stock is entitled to the next dividend paid.

Dividend, Stock. See "Stock Dividend."

Dividend Warrant. An order for the payment of a dividend to a shareholder is what is commonly understood, although there have been other applications of the term. In England a "dividend warrant" is a check for the payment of the dividend.

Divisional (or Division) Bond. A railway issue secured by a mortgage upon a division and not upon the entire property, but, as a rule, the direct obligation of the railway company itself. A "divisional bond," however, may cover a property afterwards taken into a consolidation. In that sense the term is merely used to distinguish such a bond issue from one upon the consolidated property, and would not, in that case, probably bear the promise to pay of the latter. (See "Consolidated Mortgage Bond.") A "divisional bond" may bear the guaranty of the parent company, but an investor should not allow himself to feel secure merely on that alone, but should always consider the actual value of the property mortgaged; in other words, should judge the "divisional bond" purely upon its own merits, irrespective of the guaranty. Should the "division" not prove valuable to the main line, the guaranty might turn out to be worthless when demand for payment should be made of the "parent company" as has frequently proved to be the case.

Divisional Mortgage. See last subject.

Dls. The sign adopted in Mexico for our American "dollar."

D. M. J. S. December, March, June, and September; interest or dividends payable quarterly beginning with December.

Documentary Acceptances. See "Acceptance" and "Documentary Bill.

Documentary (or Documental) Bill. A "bill of exchange" (to which refer) accompanied by a "bill of lading," insurance policy, and invoice covering the shipment of goods, and which papers show the security which is behind the bill of exchange. In the case of a shipment of cotton or grain, certificates of inspection may be among the papers. (See "Documentary Commercial Bill.")

Documentary Commercial Bill. Some financiers distinguish between this subject and a "documentary bill" (to which refer) by considering the former as being used in case of a shipment of merchandise, manufacture, or produce, and the latter in the event of other property, such, for example, as securities; but custom would seem to designate a bill drawn against the shipment of stocks, bonds, etc., as a "security bill." "Documentary bills" of all kinds and "documentary commercial bills" are usually classed under the one heading of "Documentary Bills."

Documentary Rates. The rates of "exchange" charged by exchange dealers for "commercial" and "banker's bills." (See subjects in quotations.)

Documents. Papers accompanying a bill of exchange against a shipment of merchandise, and include, usually, the invoice, insurance certificate, and bill of lading. All or any of the following may also be included: certificate of inspection, certificate of origin, consular certificate, and letter of hypothecation.

Documents for Acceptance. Used in connection with the "documentary bill" of exchange, indicating that the bill of lading, etc., must be delivered immediately upon the "acceptance" of the draft, by which it is understood that the "acceptor" will pay the draft when due.

Documents for Payment. Used in connection with the "documentary bill" of exchange, indicating that the bill of lading, etc., must not be delivered until after the payment of the draft.

Dollar. This is the unit of value not only of the United States, but of several other countries.

The United States "dollar"[1] must contain 25.8 grains of standard gold, .900 fine; the amount of fine gold being 23.22 grains, the remainder of the weight being an alloy of copper. Although the gold dollar is actually the unit and standard of value, its coinage was discontinued under authority of the Act of September 26, 1890, and the only coined dollar which we have in general circulation at present is of silver, containg 412½ grains of standard silver, .900 fine, or 371¼ grains of fine silver, the balance, 41¼ grains, being a copper alloy.

The dollar of British Honduras, Liberia, and Columbia is of equal value to our own; that of the British possessions in North America, except Newfoundland, the same, the latter being equal to $1.014 United States money. In Hong-Kong there are various dollars in circulation, the Hong-Kong dollar, so called, and the British dollar, both equal — April 1, 1906 — to $.515; also Mexican dollars, equal to $0.519 United States money. These being silver dollars, however, their value in our coinage fluctuates with the market price of silver.

Dollar Bond. Read "Dollar Stock," substituting "bond" for "stock."

Dollar Credits. (See "Circular Letter of Credit.") "Credits" for use in countries where the dollar is the monetary unit.

Dollar Exchange. "Exchange" drawn payable in dollars.

Dollar Stock. The English term for a stock of a face value of so many dollars, — American stocks, — distinguished from stocks representing "pounds sterling," etc.

Domestic Exchange. (See "Exchange.") Quotations of "domestic exchange" are almost always in cents per $1,000. "New York exchange at Chicago 40 c. premium" indicates that $1,000 in New York exchange will cost $1,000.40 at Chicago. Sometimes quotations are in cents per $100, as in case of exchange between New York and San Francisco.

[1] Thomas Jefferson is responsible for the selection of the "dollar" as our unit; in fact, for our present system of coinage which succeeded the English pounds, shillings, etc. — *See Life of Thomas Jefferson by John T. Morse, Jr.*

Domestic Traveler's Letters of Credit. See "Letter of Credit."

Domiciliated. Any instrument, such as a note or draft, which calls for payment at some distant point from that in which it is drawn, is said to be "domiciliated" in its place of payment.

Double-Eagle. The twenty dollar gold coin of the United States, containing 464.40 grains of fine gold, and 51.60 grains of alloy.

Double Entry Bookkeeping. By "double entry" the ledger accounts show at least two entries, one to the debit side of some account and the other to the credit of some other account. In other words, the accounts are of two kinds, personal accounts with the parties with whom transactions are had, and book accounts, in which the commodities or securities dealt in are made the subjects of separate accounts, and these have a credit and debit side, as in the case of the personal accounts.

A greater number of books is required by this system than by "single entry bookkeeping" (to which subject refer), but they may vary, according to the custom of the individual bookkeeper. Such books are used as Stock Book, Cash Book, Bill Book, Sales Book, Invoice Book, Journal and Ledger.

Double Liability. (See "Non-Assessable.") Corporations in which shareholders can be lawfully held individually responsible, not one for the other, but equally and ratably, for all obligations of the corporation, to an amount equal to the face value of such shares; this in addition to the amount already invested therein. The shareholders of a corporation of this nature, with a capital stock of $100,000, can be held liable, as above, for an additional $100,000. All our national banks, except two,[1] and certain other banking institutions chartered under many of the States are examples.

[1] Section 5151 of the Revised Statutes of the United States in relation to personal liability of shareholders reads, in part, as follows: . . . "except that shareholders of any banking association now existing under State laws having not less than five millions of dollars of capital actually paid in and a surplus of twenty per centum on hand, both to be determined by the Comptroller of the Currency, shall be liable only to the amount invested in their shares; and such surplus of twenty per centum shall be kept undiminished, and be in addition to the surplus provided for in this Title."

By this it would seem that the shareholders of the American Exchange National Bank and the National Bank of Commerce, both of New York City, are entitled to this exemption from "double liability" as when these banks were converted into national from State institutions, they met this part of the requirement of the act. Nevertheless, the Congressional Globe of April 26, 1864, in giving the discussion in Congress upon this act, shows that Senator Sherman said that it would "exempt the Bank of Commerce and no other bank."

A stockholder in an insolvent institution of this kind might not be called upon for the full amount of his liability, it all depending upon the magnitude of the losses of the institution. Very frequently no additional sum is called for at all, but part of the original investment may be returned the stockholder in the shape of cash. In the former case he pays an "assessment;" in the latter case, he receives a "dividend in liquidation."

A recent United States Supreme Court decision is of interest as touching this subject. It establishes the fact that statutes of limitation by which a debtor would be cleared under State laws, in a certain number of years, do not affect the liability of stockholders of national banks, which are chartered under federal laws.

Double-Name Paper. Same as "Two-Name Paper."

Double Option. By this is meant a "straddle," a "put of more," or a "call of more," to which subjects refer.

Double Standard. This is "bimetallism" (to which refer) with the free coinage part omitted.

Double Taxation. What better illustration of double taxation can be given than the following:

Suppose I own a hotel property in Chicago. My place of residence is in some other State, where I pay taxes on my personal property. For my own reasons I have chosen to form a corporation for the purpose of capitalizing the property at exactly its cost to me, which we will call $100,000. I issue $50,000 in stock and $50,000 in bonds. Every one of these bonds belong to me, and every share of the stock except the few shares which may be required to qualify the other directors. To all intents and purposes I own, through the stock and bonds, the entire property. Now, by the double taxation method in the State in which I reside, these securities are taxable. Therefore, by my ownership of the hotel property being represented by stock and bonds, I am obliged to pay taxes upon it in the State in which I live. I must also pay taxes on the real estate itself in Chicago. Now let us suppose that I had not chosen to capitalize this property, but merely owned it as one owns any piece of real estate. In such an event I should not be obliged to pay taxes upon it in my State of residence, but only in Chicago. Does not this, although an extreme example, set forth the injustice of double taxation? It makes no difference whether one person owns the entire property, or practically so, or whether it is divided among numerous owners. The result would be just the same if their ownership were represented in stock and bonds in the one case, or by joint ownership of the real estate in the other. (See "Non-Taxable Investments.")

Double Up. An example would be: First, the owner of a stock sees the price decline and thinks it will go still lower; he sells out; takes his loss; and goes " short " (see " Selling Short ") for a like number of shares with the hope of getting even again. Second, a loss is incurred; the loser speculates again; this time for twice the number of shares, with the hope of getting back his loss and a profit besides.

d / p. Stands for " Documents for Payment," to which subject refer.

Dr. " Debit." or " Debtor."

Drachma. The monetary unit of Greece, being equal to the French " franc," or $0.193 United States money.

Draft. An order in writing from one person to another to pay to the order of a third person a stated sum of money. The difference between a draft and a check, generally speaking, is that the former is an order given by one person instructing another to pay money to a third; or, in any event, it is an order upon a person for money and not, usually, upon a bank, as in the case of a check, the latter being an order against one's own funds; a draft an order against another party for money due.

FORM OF DRAFT

Buffalo, N. Y., Jan. 1, 1921.

$500.

At sight____________________ *Pay to the*

Order of The Electric National Bank________________

Five Hundred____________________ $\frac{00}{100}$ *Dollars*

Value received and charge the same to the account of

To Charles Bean____________ *George Adams.*

*No.*____________

Bean owes Adams $500. Adams wants to collect the money. He gives his bank a written order against Bean for the sum, as in the example above. Adams, who writes the order, is called the " drawer," Bean the " drawee," and the bank the " payee." If, when the draft is presented to Bean for payment, — it reading, for example, " ten days after sight," — he writes the word " accepted " across the face of the draft, together with the date and his signature, Bean is called the " acceptor." By doing this Bean has made the draft his own written promise to pay, or practically the same as a note. This is called an "acceptance."

Very frequently drafts are drawn payable to the order of the "drawer." In the case above the word "myself" would take the place of "Electric National Bank." Now, however, as this draft has been made payable to Adams — the "drawer" — he must indorse it before it is negotiable. He may make it payable by indorsement to whomsoever he pleases, and to give it the same effect as the above form, he would indorse it in this manner: "Pay to the order of the Electric National Bank," followed by his signature. It will also be noticed that the form given is for a draft payable "at sight," as explained further on. A "time draft" would read, for instance, "Sixty days after date, pay to the order of," etc., or "Sixty days after sight, pay to the order of," etc., the latter meaning sixty days after presentation for "acceptance."

Drafts are of two kinds: "Sight" (or demand) and "time." If the former, they are payable on presentation, unless "grace" is allowed, when they must be presented for "acceptance." (See that subject.) If "time," they are presented for "acceptance" to the party against whom drawn. A notice must always be left in case of his absence.

The payment of a "draft" is regulated by the laws of the State where payable.

Drafts may pass from hand to hand by indorsement, like a note. (Read also "Commercial Bill.") A "bill of exchange" (which see) is often referred to as a "draft."

Drainage Bonds. In some Western States the laws provide for the issuing, generally by districts territorially formed for the purpose, of bonds to raise money for the proper drainage of such districts, which bonds are payable from taxes levied on all the taxable property in the district. This is a form of municipal bond, and they are usually known as "drainage district bonds." A town, city, or county may issue bonds for drainage purposes, however.

Drawee. The one against whom a "draft" (or "bill of exchange") is made; the one named in it as the party expected to meet its payment.

Drawer. The maker of a draft, bill of exchange, or other similar paper; the one signing a paper calling for payment on the part of another; the one who "draws" or requests in writing the payment of money.

Drawn Bond. Drawn by lot for payment. (See "Called Bonds.")

Drive. A sudden and determined effort to force prices down.

Drop. A sudden fall in prices.

Dual Monetary Unit (or Standard). See "Double Standard."

Ducats. Slang for "money."

"Ducat" was the name of a gold coin used at one time in various European countries. Perhaps we are more familiar with it as part of the old Spanish currency, as we frequently meet the expression "ducats of gold" in reading of the Spanish explorers. Prescott, in his "Conquest of Mexico," states that the gold "ducat" at the close of the fifteenth century was equivalent to $8.75 in our money, but other writers state that the "ducat" as commonly in use in the different European countries varied but little, being worth from $2.27 to $2.32. The Century Dictionary and Encyclopedia says that the "ducat" was also an Austrian weight for gold, the unit supposed to have been derived from the Jews. Various authorities determined it to be 3.490896 grams.

Due-Bill. A non-interest-bearing written agreement to deliver the dividend on stock sold.

A written acknowledgment of indebtedness, which is neither made payable to order, nor transferable by indorsement.

Guaranty issued by a bank in place of a certified check.

The Comptroller of Currency has referred to "clearing-house loan certificates" as "due-bills."

Due from (Reserve) Agents. This term is frequently used to denote the amount of money which a bank has on deposit with its "reserve agent." This will be better understood by reading "New York Excess."

Due from Banks other than Reserve Agents. When this appears in a "bank statement," it has the same meaning as given under "Due from Others."

Due from Others. The "bank statements" of some of the cities give an item with the above heading, which indicates money on deposit with other banks than "reserve agents," as referred to in the preceding subject; and also all checks, etc., in the hands of other banks in the process of collection.

Due to (Other) Banks. The "bank statement" is frequently tabulated in such form as to sub-divide the deposits. "Due to banks," therefore, indicates the deposits held by the banks, included in the statement, to the credit of other banks and trust companies, not members of the clearing-house association, among which would be naturally many country banks carrying deposits in either the "reserve" or "central reserve centres." This subdivision of deposits does not appear in the New York Bank Statement, as it is all covered by one heading, "Deposits."

Dull. The market is "dull" when very little business is being transacted.

Dummy. This word is used in connection with director, stockholder, etc., as "dummy director," and indicates one who really acts for another, but by so doing relieves the other of liability; or who is merely placed in office to fill the number required by law. A "dummy" usually has little financial means, or has little or no interest in the corporation which he is serving. He may be elected for a brief time, to be later succeeded by one personally interested.

Dump. "A lot of stock was dumped upon the market," meaning that a great deal was sold for the purpose of getting rid of it; that is, the stock was undesirable, either on account of high price existing or for other reasons. "Dumping" stock has reference not so much to disposing of an undesirable investment, but in offering the same in large amounts, not in small amounts from time to time. You dump a lot of earth when you tip up the cart and let it all go at once.

Dun's. See "Commercial Agencies."

Duster. If, in boring for an oil well, no oil is found, only a dry hole, it is called a "duster."

D. & J. December and June; interest or dividend payments semi-annually beginning with December.

E

Each Way. The commission charged for either buying or for selling; not the commission charged covering both buying and selling, which kind of a transaction is referred to as "round turn." (See that subject.)

Eagle. A gold coin of the United States of the value of $10, containing 232.20 grains of fine gold, and 25.80 grains of alloy.

Ear-Marked. This word as used in London in reference to gold means that it is held in the vaults of the Bank of England on behalf of those possessing it and is not the property of the Bank. When gold is "ear-marked" it cannot be used by the Bank of England for any purpose whatsoever. The Bank of England has merely the safe custody of it.

The object of "ear-marking" gold in the Bank of England on account of the Indian Government is to enable Government notes to be issued in India secured upon the gold "ear-marked" in London. The National Bank of Egypt has followed a similar procedure and has issued notes in Egypt against gold "ear-marked" in the Bank of England as security for those notes. By this it will be understood that the use of the term in general indicates money reserved for a specific purpose.

Earnest. Money paid by the buyer to the seller to bind the trade.

Earnings. See "Gross Earnings," "Net Earnings," "Operating Expenses."

Eased Off. Declined in price.

Easy Money. A term used to express the fact that those seeking to borrow money may do so at low rates of interest and without much difficulty. In other words, when the supply of loanable money exceeds, or is fully equal to, the demand.

Edison. Among the Boston quotations, Edison Electric Illuminating Co. of Boston is understood; in Los Angeles, The Edison Electric Co. of Los Angeles; in Brooklyn, The Edison Electric Illuminating Co. of that city, and so on according to location.

E. E. These letters stand for "errors excepted," and have practically the same significance as "E. & O. E."

El. Elevated or Electric.

Elastic Currency. (See "National Bank Notes.") A kind of money that will expand in emergencies, and contract when not needed.

Secretary of the Treasury Shaw said: "The only elastic currency known to man is one based on credit circulation."[1]

Electric Light Company Securities. When electric lighting was first introduced, it resulted in depreciation in the market price of gas company securities. It has been found, however, that gas and electric light companies can work harmoniously together, there being separate fields for them to cover, but the superiority of electric lighting over gas is bound to create for it a permanent demand. It is not uncommon now for a man living in a small country town to be supplied with electricity and for him to gaze in wonder at the still prevalent gas posts in many of our large cities. Its use is less detrimental to the health than gas, and not injurious to wall and ceiling decorations. Its safety over the use of lamps is favourable to its increased use.

Now that it has proven possible to transmit electrical power long distances at small loss, the investor must not only consider the likelihood of competition from a local plant, but from some plant located in another town or city in the same section, and, therefore, for this and many other reasons, it is desirable that rates charged locally shall be reasonable and satisfactory to the consumers, so that there will be less temptation for an outsider to invade the territory. There may be some exclusive clause of the franchise which will protect the local company

[1] Speech before the Missouri Society in New York City, Jan. 31, 1907.

from an invasion of this kind, but all these matters are to be considered.

Find out how long the franchise has to run. If it is a bond being considered, the franchise should always outlive it. (In this connection it would be well to turn to the subject "Franchise.") Consider the earnings, which should give net results of nearly twice the amount required to pay the annual interest charge, and provide a moderate sinking fund. A sinking fund which will redeem two or three per cent. of the issue annually is desirable if the plant is located in the smaller cities or towns. In the larger cities, which are considered to be growing communities, a sinking fund may not be so necessary, provided the bond issue does not exceed 60 or 70% of the replacement value of the property. In smaller places, 50% of the replacement value of the property is large enough for a bond issue. The wear and tear on electric lighting properties is considerable, and it should be well understood by the intending investor that proper sums are being set aside yearly to cover this depreciation; and this should be from the very starting of the plant, because, when everything is new, this wear and tear is not apparent, except to a small degree, but the ratio of this increase is quite rapid as the property grows older. Consequently, this should be anticipated in the beginning. It is very essential that an electric light plant should be maintained in a high physical condition, which maintenance should be paid for from its earnings without any increase of indebtedness, and it is that against which the investor must guard.

Electric light plants in small towns are not desirable sources for investment, and are worth considering at all only when low priced water-power is obtainable, and in this connection it is wise for the investor to read what is given under "Power Company Bonds," as relates to the sufficiency of the power.

Electric light properties may be easily duplicated, unless the wires are in underground conduits and thus occupy a strategic position something like a gas company. It is well to ascertain whether or no the municipality has any right of purchase at some future time, which might work to the disadvantage of a security holder. The amount of business tributary to the company is naturally important, and especially important is the question of the contract, if any, with the municipality, to furnish the public lighting. If this contract exists, unless it is a reasonable contract and runs as long, at least, as the bond issue, it should not be considered at all by the purchaser of bonds, and should seldom be considered by the investor in the stocks of such a company. At its expiration it might not be renewed, or, if renewed, upon less favourable conditions. It is well for the intending purchaser of securities of a property of this kind, unless with the above exceptions, to eliminate the earnings from the city contract entirely in studying the company's statement of earnings. (Read also the subject " Gas Company Bonds.")

As a whole, electric light securities have proved very satisfactory and comparatively little loss has been incurred. It is reasonable to suppose that with all the modern improvements, and the present well-known methods of handling this business, that with ordinary precaution on the part of the investor, safe investments in properties of this kind may be readily made.

Electric Railway Securities. When it became possible to economically apply electric power to the street railway service, the first step was naturally the conversion of the horse propelled cars to those driven by electricity, and this change has very generally taken place throughout the country. While there were roads to be so converted, there was not so much attention paid to constructing new lines. Of late years, however, this field has been extensively exploited, and, perhaps, in some instances, too much so. Although a vast number of roads have been honestly built and capitalized, there have been construction companies and promoters who were so anxious to profit from the building of electric roads, that some ill-advised properties have been financed. This is especially true in the smaller towns and sparsely settled sections. This zeal for construction is bound, in such cases, to result in some re-organizations. In many instances, the impending disaster may be averted by the consolidation with, or the sale of the property to, a connecting line of greater importance, which can, with its own power and equipment, more economically conduct the smaller line.

Whereas, as stated above, there have been some ill-advised roads constructed, roads built where there is little business, little to support them, or, as we might say, where the nickels do not exist in sufficient quantities, this is not the whole trouble. Recent construction shows a great contrast to earlier methods. The latter allowed the use of too light rails and much equipment which is now out of date, and the construction was almost exclusively upon the highways. Modern methods take all these matters into consideration. The physical condition, such as grades, curves, general construction, etc., are all important. In New England, the hilly character of the country with the sharp and frequent curves makes it unsafe to run heavy cars at express speed. The privilege of constructing over a private right of way is frequently difficult to obtain. The cost for the removal of snow in roads running upon the highway is far greater than if operated over a private right of way. In many sections of the country, where it is possible to build long stretches of road, practically without curves and appreciable grades, all conditions incident to a low operating cost are favourable.

High rate of speed over privately owned rights of way is, where the natural conditions are favourable, resulting in the carrying of through passengers for long hauls, and the transportation of freight to very profitable ends. It is continually bringing electric railways into stronger competition with the steam roads. The introduction of dining, sleeping, and drawing-room cars is making one system of transportation more like the other. The filling in of small links of road here and there is furnishing the means for long distance service, and, withal, the electric railway situation is constantly shaping itself upon a permanent basis and upon different lines, capable of a reasonable certainty as to results.

The modern inter-urban electric railway, which has the best chance for a successful future, is the one which operates over a private right of way, and approximates in its character the construction and equipment of the standard steam railroads.

The inter-urban electric has a distinct function, and it is predicted that the ultimate outcome will be that these roads will do most of the short haul passenger business, and leave to the steam roads the long haul and freight. And, furthermore, that many electric roads feeding into, or parallel with, the steam roads will eventually be absorbed by the latter.

It is a peculiar fact, and recognized by many, that the inter-urban road parallelling the steam road does not result in a reduction of the passenger business of the latter, but seems to create a new business for itself. In other words, it is recognized that the " trolley lines " " breed " business.

Much information and experience have been gained of late, and the roads recently constructed are on a different scale and less likely to come to grief than the earlier ones. Judging by this, it is reasonable to suppose that new properties, built according to modern methods, and serving populous communities, will prove desirable and profitable investments.

The question of equipping steam railroads with electrical power has received consideration, as is evidenced by steps taken in that direction by the New York Central & Hudson River, and the New York, New Haven & Hartford, the Chicago, Milwaukee & St. Paul, and other railroad companies.

Some of the things to consider in the selecting of a street railway security have already been set forth, to which may be added:

The length of franchise, which, in the case of a bond, or other security having a definite maturity, should always outlive it. (See " Franchise.") The earnings should be given careful consideration. Proper charges should be made each year for improvements, and assurance had that the road is being maintained in a high state of physical condition from its earnings, and that no new indebtedness is being created to pay for what is strictly wear and tear. (In this connection it may be well for the reader to consider the matter under "Depreciation.") When a property of this kind is first constructed it is usually in a high state of efficiency, and the road and equipment do not begin to show visible increased cost of maintenance for the first few years, thus permitting it to be operated at a lower cost than later on when the wear and tear will become more apparent and replacements necessary. A road giving service where the riding is more or less for pleasure, rather than for necessity, is also likely to show unduly large earnings at first, owing to the novelty afforded the patrons. Thus, the earnings of a new road should be studied from this point of view.

The power is all-important, whether it be purchased or furnished from the road's own plant. The question is: If furnished by water-power, is the power sufficient for service at all times of the year, and has provision for the future been taken into consideration?

In all such matters the opinion of a well-established expert engineer should be furnished, and his report should not only cover the physical condition of the property, but should enter with care into the business tributary to the road. In considering this, the reader is asked to turn to the subject "Auditor," which treats further upon this matter.

The net earnings of a company ought to be nearly double the interest charges; the mortgage ought not to exceed 75% of the replacement value of the property; a sinking fund is advisable, which it is well should become operative at an early date after the issuance of the bonds.

Electrolytic Copper. That which is purified by suspending it in an acid solution and by an electrical current disintegrating it and re-depositing it upon a plate without the impurities. This copper has high electrical conductivity, sometimes 102% of that attributed to chemically pure copper. It is not quite as strong as the best "Lake copper."

Elevator Certificates. Same as "Elevator Receipts."

Elevator Receipts. These are practically the same thing as "elevator certificates," referred to in the last subject. They are issued by warehouses — called grain elevators — for the storage of grain, and evidence the storage therein of a certain quantity of grain (see "Warehouse Receipt").

Emergency Currency. A form of money created to fill the needs of a sudden demand, and for a brief period only; a form which can be put out and withdrawn with equal rapidity;

money which can be easily retired when the emergency for which it was created has passed. During the Civil War the Federal Government issued some short time — one or two years — notes bearing interest, which, by some writers, are considered "emergency currency." The Imperial Bank of Germany is authorized to issue an emergency circulation to any extent it pleases in excess both of its authorized circulation, provided it holds in cash (See "Bank of Germany") one-third of the total issue of such notes; but it must pay the Government an annual tax of 5% upon such excess of notes.

Employees Liability Insurance. See "Liability Insurance."

Endorse. See "Indorse."

Endowment Life Insurance. See "Life Insurance."

Enforced Liquidation. See "Liquidation."

Engagements. "His engagements amount to $50,000," meaning his promises to pay or contracts to deliver call for that amount, or value.

Engineer's Certificate. This is a statement over the signature of an engineer as regards the physical condition of a railroad or other property. This is further explained under the next subject, but the wording of such a certificate should be in form so as to show beyond peradventure that exhaustive examination has been made and that all construction was proper; that power, for example, is sufficient for the present needs, and likely to be so for reasonable future requirements; that, if a water-power enters into the proposition, the supply of water is sufficient at all times, and, if not, that proper provision has been made for auxiliary power by the use of coal, for example; and so on. In fact, on an "engineer's report" depends so much that too great pains cannot be exercised in studying into such a report and ascertaining if all reasonable care and precautions have been taken. Let the engineer be one of good repute and standing, and let his report be sufficient to set forth in detail all necessary information.

It has become the custom for railway and other public service corporations to allow for an extension of the property by a further issue of bonds up to a certain rate of the actual cost for such an extension, all based upon "engineer's certificates." It is, therefore, of extreme importance that these certificates should properly show the expenditure of this money. It is not a bad idea that an affidavit, signed by the president and treasurer of the company, should go with such reports, showing them to be true.

Engineer's Report. A report by one who by previous education and experience is competent to investigate the physical condition of a railroad, electric light, or such a property as he may be employed to report upon.

In purchasing at first hand from a corporation desiring to sell its obligations, it is customary to employ an expert engineer to report upon the physical condition of the property belonging to the corporation. Let us take, for example, a street railway whose bonds have been offered to a banker for purchase, and who has contracted for them subject to the usual conditions as to finding everything as represented. Among other experts, a competent engineer is employed to thoroughly examine the machinery, road-bed, ties, rails, overhead construction, rolling stock, etc., to find if it is thoroughly up-to-date and capable of fulfilling the demands likely to be placed upon it. In this regard, let the investor, among others, bear this point in mind: that the most favourable report from the best engineer in the country certifying to the conditions of this street railway does not argue that its bonds will prove to be a safe investment, because no matter how good a road is from a physical standpoint, there must be sufficient business to warrant its existence, and to provide for its proper maintenance as well as to safeguard the interest and principal of the bonds. It is better to have, perhaps, a poorly constructed road running through a section furnishing an enormous amount of business, which will provide earnings to not only safeguard the bonds, but enable the road to be later brought up to a proper physical condition, than it is to have the best road which engineers can construct running through a country with inadequate business tributary to it. See also last subject.

English Money Table:

4 farthings	=	1 penny
12 pence	=	1 shilling = 48 farthings
20 shillings	=	1 pound or sovereign = 240 pence = 960 farthings
21 shillings	=	1 guinea

Envelope. United States Envelope Co.

Equipment. This is a railroad term and refers to all rolling stock; its locomotives, cars, snow-plows, hand-cars, etc.

Equipment Bonds, Certificates or Notes. See "Equipment Trust."

Equipment Trust. It is a common practice among railways, in buying cars, locomotives, etc., to mortgage the same and sell securities secured by this mortgage to raise money for the payment of the equipment. These obligations are known as "equipment bonds," "equipment notes," "equipment trust certificates," etc., or, when upon cars only, "car trust certificates," etc. A manufacturing concern might also issue "equipment securities."

Equipment Trust Certificates of a railroad company are the direct obligation of the company, in addition to being secured by a first mortgage upon the equipment named, no part of which should be released until the entire issue is paid.

The safety of such issue depends largely upon what proportion the issue bears to the actual cost of the equipment, and whether or not it is to be paid off fast enough to prevent the equipment mortgaged depreciating in value below the amount of the certificates outstanding. (See also " Car Trust.")

This form of short time obligation has been looked upon very favourably from the investment standpoint. It is stated by one financial writer that few defaults in this country have occurred in these securities. They have commonly been issued up to about 80% of the cash value of the equipment, and in serial form, payable about 10% annually.

The " Philadelphia Plan " is the method used in Pennsylvania to get around the law against conditional sales. Possession implies ownership, but personal property may be transferred by contract or lease to a Trust Company in Philadelphia and the title remains in the bailor as against the bailee's (railroad's) creditors.

Equity. The common meaning in reference to investments is the value in the property over and above its indebtedness; for instance, to the stockholders of a railroad belongs its " equity." In the case of a mortgage upon real estate, the value of the property above the mortgage would be the " equity."

Erie. Erie Railroad Company. Formerly the New York, Lake Erie & Western R. R. Co.

Erratic. A very uncertain condition of prices; first up and then down. Under these conditions the stock market is said to be " erratic."

Escrow. The common use in banking; anything is placed " in escrow " when, by mutual agreement between two parties, it is placed in the hands of a third party, to be held until the fulfilment of some condition, when it shall be delivered or returned in accordance with the agreement.

Even. A " broker is " even " on a stock when he has contracted to receive and deliver equal amounts of the same stock with another broker; that is, inasmuch as he has sold, for example, one hundred shares of Union Pacific to Robinson, and later in the same day has bought the same number of shares from him, there is no necessity of either making a delivery. A settlement for the difference in prices only is called for. This term is much in use in connection with " stock exchange clearing-house " matters, as is explained under that subject.

In London, this term is used when a stock is carried over — as explained under " Contango " — without any charge being made for the accommodation. This indicates that the bulls and bears about balance each other.

Evening Up. When those who are " long " of the market are selling out, *i. e.* " liquidating," at the same time that the " shorts " are purchasing to cover their contracts, so that both processes are going on simultaneously, it is called " evening up." (See subjects in quotations.)

Even Lots. A number of shares of stocks evenly divisible by 100, as 700, 900, etc., share lots.

Even Up. To get back a loss.

Ex. Literally " out of," but as used in finance, meaning " without," " Ex-dividend " is equivalent to " without dividend."

Ex-All. Meaning that a security is sold with all rights, such as dividend due, privilege to subscribe to new shares, and all such advantages, are reserved to the seller.

Excess Reserve. Meaning the same as " surplus reserve."

Exchange. Simply expressed, it is this: White owes Black $100. Black likewise owes White $100. They meet and present bills against each other for the amounts. Each receipts his bill and hands it to the other, the two debts offsetting. No money has changed hands. This is the simplest form of " exchange," but upon it is based its whole intricate and complicated system. A " bill of exchange " is one of the earliest forms of credit.

" Exchange " is a method of effecting payments at distant points without the actual shipment of money or bullion. When these points are in different countries, it is " foreign exchange " and the instrument by which the payment is effected is called a " bill of exchange." Between two points of the same country this method of transferring the equivalent of money is called " domestic exchange " in America and " inland exchange " in Great Britain.[1]

In the United States the term " domestic exchange " is not

[1] Conant states that "the term 'bills of exchange' is still widely used in Great Britain for Inland bills."

The terms " inland exchange " and " foreign exchange " have a different meaning from a legal standpoint under our State laws, as, for example, the Statutes of Michigan define an " inland bill of exchange " as one which on its face purports to be both drawn and payable within that State. Any other bill is considered a " foreign bill " so long as drawn without the State whether in this country or abroad. Example: One drawn in Detroit and payable in Grand Rapids is an " inland bill;" one drawn in Detroit and payable in Chicago, or drawn in Chicago and payable in Detroit, or in the same manner between New York and Paris, is, in each instance, a " foreign bill " from this standpoint.

commonly used to designate what are strictly such transactions. We are more apt to say, "New York Funds," "Chicago Funds," or "check" or "draft on New York," etc.

A. K. Fiske very clearly describes a "bill of exchange" in this way: "The New York exporter, when he sends a cargo of wheat or cotton to England, draws a bill of exchange, which is in effect a draft payable to himself for the amount due, upon his consignee or upon a banker with whom that consignee has the necessary credit and upon whom the America exporter is instructed to draw for his payment."

If Allen in New York buys $1,000 worth of wool of Wright, in London, and the latter ships the wool and writes an order on Allen for the $1,000, this order or "bill of exchange" is deposited by Wright with his London bankers, and is known as "New York Exchange;" that is, it is good when presented in New York for $1,000, providing, of course, Allen can pay the same when presented. Now, instead of actually sending the order to New York and collecting the money for shipment to Wright, the common procedure is as follows: Some other London merchant, say Russell, becomes indebted to a New York merchant for $1,000; the former not wishing to go to the expense of shipping money to New York, applies, we will say for simplicity's sake, to the same bankers with which Wright deposited his order upon Allen; they sell an order against their New York agents for $1,000, to whom, in the meantime, the order upon Allen & Company had been sent for collection, the amount being collected and held by the New York agents to the credit of the London bankers. Russell forwards an order, representing the "New York Exchange," to the merchant in that city to whom he is indebted; this merchant presents the order to the New York agents of the London bankers and obtains payment. It will be seen, therefore, that one debt is made to offset another, and no money, in this case, has actually been transferred. This is the business of "exchange," so-called. The bankers buying and selling the same charge a reasonable profit for their services.

Such "exchange" as above is known as "foreign exchange," and quotations appear in the newspapers of the United States as "Sterling (or 'Sterling exchange') 4.87½," meaning that "exchange" on London could be bought in this country at the rate of $4.87½[1] for each "pound sterling" English money. Or "Sterling at Berlin 20.44," or "at Paris 25.15½," which indicates that London "exchange" was selling at 20.44 marks German money and 25 francs 15½ centimes French money, at those points respectively.

Formerly, orders in the form of a "bill of exchange" were used, but in present practice the buyer of a "bill of exchange"

[1] Sterling Exchange touched a low figure of $3.15 in February, 1920.

simply gets a check on the banker's agent at the foreign point desired.

In some cases, especially in a settlement of debts between North and South American points, " exchange " is not bought directly upon the city owed, but upon London. A New York merchant pays a Brazilian merchant by buying a " bill of exchange " on London, which is acceptable to the merchant in Brazil, London being the common financial centre for much international business.

In a similar way, there may be a common financial centre for domestic points. New York is the best example in our country.

This same business is going on between cities in the same country, as, for instance, between New York and San Francisco. The expense of shipping money back and forth between such distant points is considerable, hence the debts of the merchants between the two cities are adjusted, as far as possible, by the buying and selling of " exchange," the same as between two points in different countries.

" Exchange " is at a discount or premium according to whether there is too much or too little to supply the demand. This establishes the " rate of exchange." The shipment of gold from one country to another is the final adjustment of this " exchange " business. When debts accruing in one country against merchants in another are so great that there are not enough " bills of exchange," then gold, the usual form of export money, is shipped to adjust the difference.

The price of " exchange " may also be affected by the supply of gold (bullion) available for the debtor country to ship in case of need. The likelihood of there being a scarcity of gold would cause " exchange " to go to a greater premium than would result from a scarcity of actual exchange, with a good available gold supply at the debtor point. (See " International Movement of Gold.") " Domestic exchange " can always be figured in one currency, but " foreign exchange " has to be calculated in the currencies of the two different countries. In the case of buying a " bill " on an international " exchange " point, as in the South American example, three currencies have to be taken into account.

" Foreign exchange " is always computed on gold as a basis; viz., that gold of equal weight and fineness is of equal value the world over. " Foreign exchange " is drawn in the currency of the country where payable, and paid for in the currency of the country of issue.

Under the subjects " Balance of Trade " and " Letter of Credit " more information may be found bearing upon this subject. Refer also to " Cable Transfers " and " Demand Bills."

Exchanges. A "clearing-house" (which see) expression indicating the amount of checks, drafts, etc., settled through its medium. Same thing as "clearings." Also the English equivalent of our "exchange" as we use it in foreign "exchange," for example. They use the plural, we the singular.

Exchequer Bill. In time of sudden emergency, when money is needed for a temporary purpose, the British Government is authorized to issue negotiable, interest bearing, coupon bills of credit, due in five years; the interest being fixed each year but never to exceed $5\frac{1}{2}\%$ per annum. This is a form of indebtedness for short time borrowing.

These had their origin in 1696, but have been gradually superseded by "Exchequer Bonds" and "Treasury Bills."

Exchequer Bonds. In England, very much the same as "exchequer bills." They have a definite time to run, however, not exceeding six years, with interest at not greater than $5\frac{1}{2}\%$ per annum; the rate being fixed for the full period at the time of issue. This is a form of indebtedness for short time borrowing and is not confined to Great Britain. There they were first introduced in 1853.

Ex-Coupon. Without interest; coupon already due, or about to become due, detached.

Ex D. "Ex-dividend," *i. e.* exclusive of dividend.

Ex-Dividend. See "Dividend Off," meaning the same.

Ex-Elevator. A Chicago Board of Trade term for grain out of — or not in — a warehouse, *i. e.* grain elevator.

Executor (or Executrix). The person named in a will as the one to see that its provisions are carried into effect.

Exhaust Price. (It is necessary to first understand "Margin.") A fall in prices to a point where margins are wiped out — exhausted — and when brokers may be compelled to sell out the securities for self-protection, unless additional margins are furnished.

Ex-Interest. Without interest; coupon for interest just due and detached.

This term is particularly used in reference to "registered bonds," which, inasmuch as the interest is forwarded to the holder by check, are, to a certain extent, treated more or less from the standpoint of shares of stock. When the checks for interest are sent out to registered bondholders, they go forward to holders of record as of a certain date. Any sale of such a bond upon or immediately after a certain date, or, in other words, the closing of the books, would be sold "ex-interest;" that is, the interest check would go to the previous holder and the purchaser makes his transaction upon that understanding. There is at times a difference in the quotations between the registered and coupon bonds of the same issue, equal to the amount of the coupon. A registered 6% bond, for example, on which 2% (four months) interest has accumulated, might be quoted at 106, which would be the equivalent of the same bond in coupon form selling at 104 " and interest." Registered bonds selling " ex-interest " are at that time quoted about equally in price, as 104 " ex-interest " and 104 " and interest " are equal one to the other. A better understanding of this may be had from reading " Registered Bond " and " Books Close."

Ex-New. A stock so quoted does not carry the privilege of " rights," that is, it is " ex-rights." (See those subjects.)

Expert Accountant. See " Auditor."

Export Point of Gold. See " Gold Export Point."

Express Company Securities. Frank Haigh Dixon, professor of economics at Dartmouth College, in his article " Publicity for Express Companies,"[1] says, in substance, that the yearly receipts from this large transportation agency are nearly $75,000,000.[2] There are six large companies, and a few of lesser magnitude. The four largest are the Adams, American, United States, and the Wells-Fargo. The first three named are organized under a New York law, granting them the right to issue transferable shares representing beneficial interests in the company, but every owner incurs all the liability of a partner. This is a fact to be considered in purchasing their shares.[3] The Wells-Fargo is a Colorado corporation. Of the lesser companies, there are the Southern Express, the Pacific Express, the National, and two Canadian companies, besides numerous others organized by the railroads themselves, such as those operating over the Denver and Rio Grande, Great Northern, and Northern Pacific Lines. Besides all the above, there are, of course, many local companies doing a city or a city and suburban business.

It is understood that the interests of the larger corporations are so interwoven one with the other, and that they are all on such good terms with the railroads, that competition is almost unheard of, and, as matters are at present, it does not seem necessary to consider this factor in connection with the large companies. One point deserving of consideration, however, is the fact that the United States Government now operates a " parcel post." The inauguration of this system has created an effective competition with the express companies.[4]

[1] *Atlantic Monthly*, July, 1905.

[2] The *Wall Street Journal* more recently set this figure at nearly $10,000,000 greater.

[3] In July, 1918, the American Railway Express Co. took over the express operations of the larger companies and plans have been made for a permanent merger.

[4] The writer is of the opinion that some competition with the express

The dividend records until recent years were good and express company securities formerly stood well in the investment list.

These corporations effectually concealed much information from the public, as they had not been accustomed to make reports themselves, nor had they been required so to do by the Government, but the enactment of the Railroad Rate Law classes express companies as "common carriers," and brings them under the control of the Interstate Commerce Commission, and especially gives the Commission the power to demand annual reports.

Express Money-Orders. Another method of remitting money by mail, and very similar to the "postal money-orders," but differing in these respects:

Express money-orders need no written application; they are payable upon presentation without the necessity of a duplicate being forwarded by the issuing office; are payable at all offices of the company, not at some special office, as by the Government method; may pass from hand to hand by continual indorsement (not being limited in number) and remain valid if not presented within one year. Rates run about as follows:

Not over $ 2.50	3c.	Over $30.00 to $40.00	15c.
Over $ 2.50 to $ 5.00	5c.	Over 40.00 to 50.00	18c.
Over 5.00 to 10.00	8c.	Over 50.00 to 60.00	20c.
Over 10.00 to 20.00	10c.	Over 60.00 to 75.00	25c.
Over 20.00 to 30.00	12c.	Over 75.00 to 100.00	30c.

For sums over $100, charges are based upon above rates. Example: $300, 3 × 30c. = 90c. $350, 3 × 30c. + the charge for $50 = $1.10.

Ex R. "Ex-rights," *i. e.* exclusive of "rights."

Ex-Rights. (First read "Rights.") The sale of a stock upon which the privilege attached to its "rights" has been exercised or reserved. In any event, the purchaser obtains no privilege of that nature, and so understands it when making a purchase "ex-rights."

EXT. The "ticker" abbreviation for "extended" or "extension."

Extended Bonds. A bond of which the payment of the principal is put off to some future date; the issue ordinarily not being replaced by other bonds, but the same ones left in the hands of investors; the security behind them remains the

companies may result from the hauling of freight and express by street railway companies, but that there is a possibility that even after such a limited competition might become established, the express carrying privilege on the street railways may be passed into the control of the larger express companies, the same way that they have absorbed it among the railroads.

same. In such an event, it is customary to attach sufficient new coupons to cover the interest for the time extended, or new bonds, coupons and all, may be given in exchange for the old. Most issues of this nature are extended at a lesser rate of interest than borne by the original ones. "Extended bonds" have stamped or printed thereon the essential facts of the extension, and, if there are old coupons which can be used, they are stamped or printed so as to show the lesser rate of interest.

Extended Insurance. This is an option under a life insurance policy which has "lapsed" (see "Lapse") by which the insured obtains insurance for the face of the original policy for a specific length of time, without the payment of further premiums. Insurance of this kind is sometimes taken in place of a "cash surrender value" or "paid-up value."

Extension Bonds. Secured by a first mortgage[1] upon an extension of a railroad system, and usually guaranteed by the company proper. Besides being a first mortgage upon the extension, such a bond is often a "second" or "junior" mortgage upon other property. In the case of the "Pacific Extension 4's" of the St. Paul, Minneapolis & Manitoba Railway Company, the bonds are secured by a first mortgage on all the company's lines in Idaho and Washington and by a second mortgage upon its lines in Montana.

Whereas, this class of investment is dependent somewhat upon the amount of the issue in proportion to the proper cost of the extension, and the need of such extension to the larger road, yet the standing of the latter and the value of its guaranty are largely to be considered.

Extension of Mortgage. When a mortgage on real estate falls due, it may be agreeable to both the borrower and the lender to extend it. An overdue mortgage is perfectly good and no signing of papers or any legal act is necessary in connection therewith to make the claim of the holder of the mortgage good if he is willing to postpone payment. It is very customary, however, to fill out, sign and record, what is known as an "extension of mortgage," for by so doing if there is an agreement for the extension for a definite time, it will prevent the lender from demanding payment previous to that time, and is, therefore, a protection to the borrower.

External Bonds (or Loan). An issue of government bonds sold abroad, as designated from money borrowed at home.

Extra. See "Dividend, Extra."

E. & O. E. These letters stand for "errors and omissions

[1] "Extension bonds" may not be secured by a first mortgage, but if so would certainly be an exception to the rule.

excepted," and often appear on a statement of an account, so as to relieve the accountant from any personal liability for mistakes.

F

Face Value. The value of a security, regardless of any coupons, as appears in the security itself; the principal. (See "Par Value.")

Facilitating Process. See footnote to "International Movement of Gold," page **218**.

Factor. A "factor" is ordinarily a commission merchant, differing from the common broker by having in his possession the goods which he offers for sale, although he may exhibit samples only. He is usually compensated in the way of a commission, but sometimes in other ways. Usually a broker or an ordinary agent trades in something not in his possession, delivery to be made either through him or directly between the parties between whom he is negotiating after the sale is effected. In the event of his advancing money on goods placed in his possession for selling, he has a legal claim to that extent upon the goods or proceeds after sale.

Failure. Bankruptcy, insolvency, or inability to meet one's engagements.

Falling. "Falling market;" prices declining.

False Certification. Same as "over-certification."

Fancy Options. "Puts-and-calls" and "spreads" at prices considerably at variance with current market quotations.

Fancy Price. A price too high for the time; not consistent with existing conditions or with prices of similar or other securities.

Fancy Stocks. High priced stocks which are looked upon as safe and desirable investments are what the investment banker understands by this term, but the stock exchange man thinks of a stock high in price and the quotations of which fluctuate widely as the result of manipulation.

F. and A. Interest or dividends payable semi-annually, February and August.

Farm Loans (or Mortgages). Loans secured by mortgages on farm properties.

The fact that in many sections of the country the lands in the agricultural districts are steadily rising in value has attracted many people towards them for investment purposes. With the exception of a few localities, especially in the East, where lands are either "run out" or of a poor quality, or where prices have risen to a point beyond the earning capacity of the land, the history of farm values, in spite of the tremendously increased area under cultivation, has been one of fairly steady advance, always excepting, of course, periods of depression.

This condition of affairs is likely to continue in many sections of the country until prices there reach a point where capital invested ceases to bring satisfactory returns.

It is true that there have been many losses in farm mortgages, but such losses may generally be attributed to a desire for excessive interest rates, improper judgment of the local conditions, dishonest or too greedy agents through whom the business has been accomplished, who have been willing to recommend too large loans for the sake of the increased commission, or to the failure on the part of the one holding the mortgage, and who has been obliged to foreclose the property, to wait for a favourable time to sell.

The question of the agent suggests, however, that few investors are so situated that they can make personal examination of farms located at a distance, upon which they may have an opportunity to make a loan. This necessitates the selection of some one with an unbiased opinion in whom confidence may be placed, and there is, perhaps, no grade of investments which calls for a more careful selection of those with whom the business is done, than in the purchasing of farm mortgages.

The subject of farm mortgages is very deep and one extremely difficult to cover with any general rules. What applies as a conservative selection of a mortgage on farm lands in New England, might not apply at all in Kansas. In general, however, the nature of the soil must be considered, whether the location obtains sufficient moisture from natural causes; if not, what the irrigation rights are, if any. If it is a Western farm and dependent upon irrigation, the investor must ascertain whether or no the farm has the right to a sufficient amount of water at a reasonable price at all times. There are many farms located at the extreme lower end of irrigating canals, which, at times, may suffer from a deficiency of water supply The climate, the class of crops raised, quality and depth of soil, the nearness to a market, churches and schools, transportation facilities, the sufficiency of farm tools necessary to properly carry on agriculture by modern methods, whether or no such farming tools are covered by a "chattel mortgage," the record which the farmer has made for some years back as a producer and saver, the reason for his needing the money — and this last is a very necessary feature to consider, for, if the money is going for betterment of the property or for partial payment thereon, that is one thing, if it is to be used for some outside purpose, it should not be encouraged. In lack of personal knowledge of the character of the proposed mortgagor, inquiry should be carefully made among his neighbours and tradesmen, if possible. The probable ready market value of similar lands in the same locality should be ascertained; not their salable value during boom times, but during dull times as well, and upon the latter figures the probable market value of the farm ascertained, and a mortgage not more than fifty to sixty per cent. of the value made thereon, including, of course, a fair valuation for the buildings and improvements. Although buildings may add materially to the value of the farm, yet that is not where the earning capacity of the property lies. Therefore, in a security of this kind, the buildings should not be taken at more than 25% of the whole property. It is desirable that the borrower should be married and an occupant of the property. Unimproved land is doubtful security, and loans upon it should be made not only with great caution, but at a very low percentage of a conservative market value.

It is supposed that the lender will follow out carefully the usual rules for making a "mortgage," as described under the subject in quotations.

What one Western writer has said is of interest here:

"The farmer uses money in his business precisely as does the merchant, and his mortgage is no more to be considered as an evidence of lack of prosperity than the note of the merchant, given in exchange for goods. The farmer in the Corn Belt has been able to make legitimate profits during the past ten years on account of the steady rise in land value. From his income he makes a partial payment on lands which he wishes to acquire, and gives a mortgage to pay for the balance. This has been his savings bank and it cannot be denied by those familiar with the conditions that it is a good one. We are still an agricultural nation and land is the foundation of our national prosperity. When agriculture prospers, other industries also prosper."

Farm loans are practically free from market fluctuations, and are influenced but little, if any, by political changes, added to which they pay a liberal rate of interest.

Farthing. The smallest English coin, being one-fourth of their penny, and equivalent to about one-half a cent in United States money.

Fd. (or Fdg.). Funding.

Federal. Federal Mining & Smelting Co. (Silver and lead.)

Fee. To "own in fee" is to have absolute possession of.

Feeder. A branch, tributary, or smaller connecting transportation company, which originates or collects, freight, passengers, etc., and "feeds" its business into a larger company. Branch lines of a railroad are called its "feeders."

Fee Simple. A landed estate belonging to the owner and his heirs and assigns forever.

Federal Reserve Act. See end of book.

Federal Reserve Banks. See "Addenda."

Feverish. When prices are very changeable, up and down; conditions unsettled; worriment discernible on the faces of those transacting the business; a general uncertainty as to what will happen next.

Fiat Money. Money which a government declares shall be accepted as legal tender at its face value; money issued by a government which is supposed to have the power to enforce its acceptance, within its own dominions, in payment of debts. As generally understood "fiat money" has no real value, or at least lesser value than its face. In the latter case, the difference between the real and face value is "fiat money."

Fiduciary. "Fiduciary institutions:" trust companies, banks, etc. "Fiduciary capacity" has relation to some financial trust.

Finance. To "finance" an enterprise is to raise the necessary money for its needs.

Finance Bills. "Bills of exchange" (which must first be understood) on foreign countries issued by American bankers against credits or loans granted them by bankers in other countries, and not against shipments of goods. The terms on which the credits are granted, and whether or not it is necessary to pledge bonds, stocks, or other collateral, as security, is a matter for arrangement between the different parties.

Finance Committee. See "Savings Bank."

Finance Company. In the United States, the "holding company" (to which refer) is commonly known as a "finance company," but the meaning in England is totally different. There the term has reference to companies dealing in corporation securities.

Financial Bill. On the 14th of March, 1900, there was approved an Act of Congress to define and fix the standard of value, to maintain the parity of all forms of money issued or coined by the United States, to refund the public debt, and for other purposes, which is commonly known as the "Financial Bill." It is also referred to as the "Gold Standard Act" and "Currency Act." The essence of this bill, in addition to what the reader will find under "Gold Reserve," was to define and fix the standard of value as follows:

"That the dollar consisting of twenty-five and eight-tenths grains of gold nine-tenths fine, as established by section thirty-five hundred and eleven of the Revised Statutes of the United States, shall be the standard unit of value, and all forms of money issued or coined by the United States shall be maintained at a parity of value with this standard, and it shall be the duty of the Secretary of the Treasury to maintain such parity."

Financial Year. Sometimes used in the place of "fiscal year," to which refer.

Fine Bars. Gold or silver bars containing 99% of pure metal are generally so considered.

Fine Gold. Gold which is free from impurities; pure. The mint value in England of an ounce of "fine gold" is 84s. 11.45d, which equals our own mint price of $20.672.

Fineness. See "Standard of Weight and Fineness."

Fire Insurance. Any explanation or definition covering the subject of fire insurance is unnecessary here, but a few suggestions to those taking out insurance of this class may be pertinent.

Familiarize yourself with the laws of the State under which you are insuring, so that you may have some reasonable idea as to your rights. In New Hampshire and a few other States, for instance, the "valued policy," so called, is in effect, which amounts to this: that you are entitled to collect the amount of the loss on buildings in event of total destruction by fire, no matter what amount of insurance is placed thereon; that is, it is incumbent upon the company not to insure buildings for more than they are worth. In most States the insured cannot collect, in case of loss, greater than the actual damage, no matter how much in excess of the value of the property the insurance had been placed.

Do not keep your insurance policy in the same building that is covered by such a policy.

In insuring furniture or personal property in general, take an accurate list of the same with the probable value of each article, and keep this list in some place safe from fire. Some persons are so particular that all articles of furniture or property which would be covered by a policy of this kind, are invariably purchased accompanied by bills showing their cost, such bills being properly filed away to be produced in case of any dispute arising over the adjustment of a claim.

There are cases of insurance upon buildings where the insured would not care to include insurance upon the foundation; that is, in case of destruction of the building, the foundation might be left intact or slightly damaged, which would give the right to the insurance company to deduct the value of the same at the time of adjustment. The character of the foundation may be such that it would be practically impervious to fire, or the character of the building may be such that if once destroyed there would be no desire to rebuild, and, therefore, the foundation would be of no value to the insured. In such cases, the item of foundation may be specifically omitted from the policy.

Read your policy and carefully carry out the conditions enumerated therein. Note date of expiration, for it is conceivable that your agent may not advise you when the policy does expire, and, therefore, your property may be unprotected. Always pay premiums promptly. Do not try to mislead the agent by concealing information or misstating facts. Be sure that your policy contains the clause that other insurance is permitted.

In an insurance policy covering furniture or movable goods, if any change in the location of the articles insured is to be made, notification must be sent to the insurance agent.

Any premises intended for occupancy should not be allowed to remain vacant longer than provided for in the policy, without obtaining permission from the agent.

Ascertain that your policy contains a clause granting protection in case loss or damage results from lightning.

In case of loss, notify the agent at once.

In case your property is mortgaged, the policy should bear an indorsement somewhat as follows:

"Payable in case of loss to ———, mortgagee, as his interest may appear."

Insurance for a short period, such as a year, is more expensive in the long run than for some term like three years.

Fireworks. Tremendous speculation; rapid advance in prices.

Firm. Strong; tending upwards; not declining. The stock market is said to be "firm" when there is no tendency towards a decline in prices; a condition of stability existing. Money is "firm" when interest rates for loans are higher than the average. Prices are "firm" when inclined to rise, or at least, remaining stationary. (See "Offered Firm.")

A partnership of two or more persons for the carrying on of any business, as distinguished from an incorporated company. An agreement, generally to exist for a specified time, is drawn up and signed by the several partners, setting forth the rights of each. This is called a "partnership agreement." (See also "Special Partner.")

Firm Bid. See "Offered Firm."

First and Consolidated Mortgage. See "First Consolidated Mortgage."

First and General Mortgage Bonds. This indicates an issue secured by a "general mortgage" (to which refer) on all the property and by a "first mortgage" on a part of it.

First and Refunding Mortgage Bond. It might be well to read the matter under "First Refunding Mortgage Bond," by an understanding of which a "first and refunding issue" may be readily comprehended. An issue such as the last mentioned should be one which has extended a genuine first mortgage upon the whole property which it covers, but it may be such an issue as described in the case of the Old Colony Street Railway bonds under the subject of "First Refunding Mortgage Bond." The *and*, therefore, inserted between "first" and "refunding" leaves a very uncertain meaning as to what such an issue really is, and it is essential that an investor should ascertain exactly the terms of the mortgage itself.

First Consolidated Mortgage. Read "Consolidated Mortgage Bond." A "first consolidated mortgage" issue would generally indicate what would be literally understood by such combination of words; viz.: a consolidated mortgage issue and the first one of such placed upon the property. But a "first *and* consolidated mortgage" would be quite a different thing. It would indicate not only a "consolidated mortgage" issue upon the property, but a "first mortgage" upon some parts; that is, upon such parts as have not been previously mortgaged.

First General Mortgage Bonds. (Read "General Mortgage Bonds.") This is not only an issue secured by a "general mortgage," but the first one of that nature placed upon the property.

First Lien. See "First Mortgage," meaning the same in reference to bonds. See also "Prior Lien Bonds."

First Lien and General Mortgage. This is taken as an example of an issue of bonds bearing, apparently, two names. It is impossible to take the amount of room necessary to describe every possible combination of names of this kind which may be used in the designation of a mortgage. The Norfolk and Western Railway Co. has an issue of 4% bonds bearing the above title. It is a "first lien;" that is, a "first mortgage," on approximately 200 miles of road, but upon 1,592 miles of the railroad there are other mortgages which would come ahead of this particular mortgage, and, therefore, upon that portion of the road it is a "general mortgage," so-called. It will be seen that the part of the road upon which the issue is a "first mortgage" is comparatively small.

First Mortgage. (Read "Mortgage.") There are sometimes several mortgages placed upon the same property. The one having the prior claim to or preference over the others is known as the "first mortgage." This will be better understood by reading the next subject and also the matter under "Second Mortgage."

First Mortgage Bond. A promise to pay in the form of a bond and secured by a first mortgage. (See "Mortgage.") It has first claim on the property of the corporation, as well as upon the earnings. A bond of this kind is so well understood, that little more need be said of it here. A word of warning, however, may be wise: do not think that a "first mortgage bond" is always secured by a first mortgage on all the property of the corporation. A company, at the time of the issuing of such a bond, may be a comparatively small affair, but later grow into much prominence by the absorbing of other properties. On most, and possibly all, of the absorbed properties there may have already been mortgages existing, and, therefore, the "first mortgage bond" of the original company may be but one of several such on the combined companies, although enjoying the credit attached to bearing the name of the parent company. Several so-called first mortgage bonds of railroads are in effect a second mortgage as they are secured by a first lien on a relatively small part of the system and by a second lien on a large part.

The statement that a bond is secured by a first mortgage merely signifies that the mortgage is a prior claim to any other indebtedness upon the same property. The property may still be insufficient security for the debt. A first mortgage on some property may be far inferior to a second or third mortgage on another.

First Mortgage Trust Bond. This is a form of a "collateral trust bond" (to which subject the reader is referred), and by which it will be seen that under certain conditions a bond of this nature may be indirectly a first mortgage. A "first mortgage trust bond" is, therefore, one secured by a deposit of other bonds which are in themselves secured by a first mortgage. An issue of this nature is that of the Louisville & Nashville Railroad Co., which is secured by a deposit of the first mortgage 5% bonds of the Birmingham Mineral R. R. Co., and the first mortgage 6% bonds of the Owensboro & Nashville Ry. Co.

First of Exchange. See "Set of Exchange."

First Preference Shares. The English term equivalent to our "first preferred stock."

First Preferred Stock. See "Preferred Stock."

First Refunding Mortgage Bond. Do not confuse this with a "refunding *first* mortgage bond." Note that there is quite a difference whether the word *first* qualifies "refunding" or

" mortgage." A " refunding first mortgage bond " takes the place of a " first mortgage " issue, which has been outstanding and which the company desires to extend, not pay off. The new (or refunding) issue is a *first mortgage* pure and simple, as was the original one. But not necessarily so an issue in which the word *first* precedes " refunding." In this case, there may be no first mortgage securing it, but may simply be the first " refunding " issue which the company has put out, and, in that sense, the adjective applies to " refunding " only. But usually the issue is a first mortgage on a small part of the property, although not upon the whole. An actual example would be the case of the Old Colony Street Railway Co. which had outstanding April 1, 1905, $1,777,000 " first refunding mortgage bonds," so-called, but secured by a first mortgage on a power station and only 41¼ miles of track out of a total mileage of 367; against the balance other mortgage bonds amounting to $4,667,000 held prior claims.

It is, of course, contemplated that this " first refunding mortgage " issue shall, at some future time, become a first mortgage on all the property, by the retiring of the $4,667,000 bonds as they become due, and replacing them with an equal amount of the " first refunding mortgage " issue.

Firsts. First mortgage bonds.

First Teller. Another name for a " paying teller."

First Trust Mortgage. This is an example of the wilful misusing of the title of a bond, and was so used by a banking house to designate an issue, the proper title to which was " First Mortgage and Collateral Trust." Evidently there was a dislike to the " collateral trust " idea, and, therefore, " trust mortgage " was used in lieu thereof. " Trust mortgage " is a very vague wording and hardly proper under the circumstances.

The attention of the reader is again called to the necessity of not only a careful consideration of the exact and proper title of any security, but is advised to possess himself of information giving the exact status of such security in relation to other obligations of the same company; and is likewise strenuously advised to read with great care all the printed matter appearing upon the face of a bond, or its coupons, and to pursue a like course in relation to every security to be purchased or loaned upon.

First United States Bank. It was due to the efforts of Alexander Hamilton, the first Secretary of the Treasury, that a charter from Congress, in 1791, was granted authorizing a United States Bank for the purpose of regulating the currency, taking public money on deposit and acting as official agent of the government. The capital was $10,000,000, one-fifth of which was held by the Government; the balance by the public at home and abroad. The voting power, however, was so restricted that the foreign holders, who were really in the majority, were unable to exercise control, as they were not allowed to vote by proxy. The Secretary of the Treasury had the right of inspection; its notes were made receivable for public dues, provided they were kept repayable in coin. It was permitted to have branches, which were established in most of the important cities, the main office being in Philadelphia. It was a very successful institution. Its charter was for but twenty years, a question of its constitutionality had been raised, and the subject of its renewal aroused political opposition. The renewal was defeated and the bank liquidated, each $400 share returning to its holder $434. At one time, it had deposits of about $8,500,000 and circulation of about $4,500,000.

Fiscal Year. Any yearly period, regardless of the calendar year, at the end of which any firm, corporation, or municipality may close its books in order to determine its financial condition.

Fish Scales. See "Five-Cent Silver Piece."

Fitchburg. Fitchburg R. R. Co., leased to the Boston & Maine R. R. Co.

Five-Cent Silver Piece. A small coin of the United States, the minting of which was discontinued by Act of February 12, 1873. Legal tender in amounts not exceeding $10. This coin is called the "half-dime," and in some sections of the country they have been nicknamed "fish scales."

Silver half-dimes were the first coins turned out by the United States Mint — October, 1792.

Five Per Cent. Redemption Fund. Every national and Federal Reserve bank is required by law to keep on deposit, at all times, in the Treasury of the United States, in lawful money of the United States, a sum equal to five per cent. of the bank's circulation (see "National Bank Notes"), to be held and used for the redemption of such circulation. There are further provisions as to the cancelling of national bank notes when presented for payment, notifying the banks as to the depletion of the fund on account thereof and other necessary requirements.

This fund provides for the immediate redemption of the notes of a failed bank, but when so depleted must be repaid out of the assets of the bank when realized upon.

Five Ports. New York, Boston, Philadelphia, Baltimore, and New Orleans.

Five Twenties. Bonds due in twenty years, but subject to redemption after five years from date of issue.

Fixed. Established; settled; unchanged. "Fixed earnings"; earnings which have continued for a sufficiently long time to warrant the belief that they will remain permanent.

Fixed Charges. The "fixed charges" of a corporation are generally conceded to be the interest upon its bonds and floating debt, sinking fund, if any — although the latter may be shown under a separate heading — rentals, taxes, and insurance. (Railroad companies include insurance under "General expenses.")

Sometimes these three latter items are given under a separate heading and not included in "fixed charges," but unless they are included in the operating expenses of the company, they should be included in the "fixed charges."

A form of deception is to even show net earnings *before* taxes as available for fixed charges. Of course, taxes should be a prior deduction as any other operating expense. Another note of caution: do not be misled by the statement that the balance of net earnings after deducting interest charges on all prior bonded indebtedness is equal to 10 or 20 times the interest charges on the junior issue. A chain is as strong as its weakest link; the entire fixed charges should be considered.

There is good authority for believing that in good times the "fixed charges" of a corporation should not exceed much, if any, 50% of the net earnings; this in order to provide for the decreased earnings of bad times.

Flat. Without interest. (See "Accrued Interest.")

Flaxseed. This is dealt in upon the Chicago Board of Trade the same as grain and other commodities. The common trading unit is 1,000 bushels. The rate of commission charged for the purchase or sale or for the purchase and sale in 1,000 or 5,000 bushel lots, or multiples thereof, is $\frac{1}{4}$ of a cent per bushel. The usual "margin" required is 10 cents per bushel.

Fleece. This expression arises from the use of the word "lamb." To "fleece" one, means to take advantage of his ignorance, resulting in his financial loss and the gain of the one doing the "fleecing." When a lot of unsuspicious investors, or, more properly speaking, speculators, rush into the market and buy a certain stock at high prices, and afterwards find that large stockholders in that corporation, well posted upon its financial condition, had sold the stock at what they knew to be very high prices and far above its actual worth, these speculators are said to have been "fleeced," although, probably, no actually unlawful act had been done by the ones selling out. The losers by such a transaction as this are called "lambs." A lamb is a symbol of innocence, and the unwary one caught napping is such.

Flier. A purchase or sale by a speculator with the expectation of an early profit; something bought with the gambler's spirit, with an understanding that the chance for profit is very speculative.

Float. To "float" a company means to sell its stock or securities; thus raising needed money for capital, etc.

Floating Debt. All notes or forms of indebtedness calling for payment within a comparatively short time, as distinguished from bonds or other fixed forms of indebtedness.

Floating Charge. A term used in England, Canada, etc., to denote an unsecured debt; we use "floating debt" in practically the same sense.

Floating Stock (or other Securities). Available for purchase or speculation. This designates such from that which is locked up in the hands of investors, and so not offered upon the market.

Floor. The "floor" of an exchange; the place where the trading is done.

Floor Broker. Same thing as a "two-dollar man."

Floor Traders. Those upon the floor of the stock exchange who buy and sell securities for their own account, being members, of course, of the exchange. They are sometimes called "room traders."

Florin. The monetary unit of the Netherlands, equal to $.402 United States money. (See also "Guilder.")

Also a silver coin of Great Britain, equal in value to two English shillings and about $.486 United States money.

Flt. Flat; without interest.

Fluctuations. A rising and falling in prices. "Fluctuations were narrow;" this indicates that the changes in prices by advancing or declining were very slight.

Flurry. An incipient panic; excitement; alarm; the financial sky suddenly overcast; securities falling quickly in price and money rates advancing. Such an occurrence, when of short duration, and producing no lasting effect on the financial world; the cause for alarm suddenly removed, and conditions soon restored to approximately what they were previous to the excitement, is a "flurry," but if the downward tendency should not be allayed, and matters should go from bad to worse, a "panic" might result.

F. M. A. N. February, May, August, and November;

interest or dividends payable quarterly beginning with February.

F.O.B. These letters stand for "free on board." "F.O.B. Detroit," meaning that the shipper in Detroit will make no extra charge for delivering the goods on to the vessel or car.

For a Turn. A speculative phrase; a quick transaction for small gain (or loss).

Forced Circulation. Money which is not worth its face value, and which is by law forced into use and made acceptable — "legal tender" — in payment of debts. (See "Legal Tender.")

Forced Liquidation. A stock exchange phrase meaning that the owners of stock are obliged to convert the same into cash in order to obtain necessary funds.

Forced Sale. A sale of a debtor's property which the creditor compels. A sale of this kind often brings a lesser price than the owner might realize by a more delayed method. The amount which property brings at such a sale is called its "forced sale value." The sale of mortgaged property to effect foreclosure to protect the debt which it secures is a "forced sale."

Forcing. An attempt to obtain an unnatural level of prices by artificial means.

Foreclosure. A method of enforcing payment of a debt secured by mortgage by taking and selling the property which it covers. This is done when the "mortgagor" has failed to pay the interest or principal of the debt which the mortgage secures, or to perform some other condition set out in the instrument. In most States, the property is sold under a power to sell contained in the mortgage itself, but in some States, where this is prohibited, an order to sell must be obtained from the court. The proceeds are applied to the indebtedness secured by the mortgage, other liens, and "foreclosure" expenses. Any balance must be returned to the property owner — the "mortgagor."

Foreclosure Value. In buying bonds of any corporation one of the things always to be considered is what the value of the property would be in case the bonds should not be paid, and the holders should have to "foreclose" and take possession of the property. Of course, this same fact is to be considered in regard to a mortgage of any kind. The value of such property, or the probable price at which it can be sold, is called its "foreclosure value." If the mortgage on a property is $100,000, and the holders are obliged to "foreclose," and should afterwards sell the property for $50,000, the "foreclosure value" would be the last mentioned sum, representing a loss to the holders of half their investment.

Foreign Bill. In general this refers to "foreign exchange," as explained under "Exchange;" but legally in this country, a "foreign bill" is any "bill of exchange" drawn outside of the State in which it is made payable. For example: One drawn in San Francisco and payable in Sacramento is an "inland bill," but one drawn in San Francisco and payable in Salt Lake City, or drawn in Salt Lake City and payable in San Francisco, is, in each instance, a "foreign bill" from this standpoint.

Foreign Collections. A bank terms its "foreign collections" its checks, etc., which are not payable in the city in which it is located.

Foreign Department Boston Clearing-House Association. Assuming that the reader has an understanding of the general workings of the "clearing-house" (to which refer) plan, the subject heading here may be explained as follows:

"Foreign" in "clearing-house" language means, "out of town." That is to say, "foreign" checks are checks drawn upon out-of-town banking institutions, not members of a given "clearing-house."

The Boston Clearing-House has devised a plan by which its members can, through the agency of the "clearing-house," collect out-of-town checks, etc., on New England points, and not drawn on their own correspondents. These would naturally be collected directly from the correspondent.

The checks are sorted out by each Boston bank in such a way that there will be a package for each out-of-town bank, a list of the checks in each package being attached to the same. These packages are sorted by States, and then the towns in each State are sorted alphabetically, and taken, during the first half of the afternoon of each business day, to the "clearing-house," where they are placed upon certain desks, at which are twenty clerks who in turn sort out the packages by banks, by which method those on each New England bank are brought together. The packages which are to be presented to a given bank are listed upon a letter which accompanies the package. As there are 632 out-of-town banks in New England, to which collections are sent, the packages averaged for the year ending March 31, 1909, 5,491 daily.

The out-of-town banks settle with the clearing-house manager and he, in turn, makes a settlement with each member of the association.

To quote Mr. James C. Hallock:

"To clear his debits and credits, the clearing-house acts as a member of itself, having a desk and number like any member. The banks charge it with the out-of-town checks left for collection, and it charges them with the checks drawn on them and remitted to the manager, also with the New York exchange and currency. The one side balances the other, upon proper adjustments for errors, omissions, and delayed remittances.

"The settlement is through the regular morning clearing on the second business day after the checks to be collected are delivered at the clearing-house and mailed to the country banks.

"To keep the accounts straight, check tickets are used. The manager checks the amount of each package by the footing on the stub he retains of the slip which accompanied it. He checks the amount of each letter by the footing on its stub which he retains. He checks his receipt for collections by the credit ticket each bank presents, giving the whole amount of checks it claims to have delivered, and the amount on each State. Thus extraordinary accuracy is attained with ease."

On July 15, 1916, this department was taken over by the Federal Reserve Bank, and now known as the "Collection Department" of that bank.

Foreign Exchange. See "Exchange."

Foreign Exchange Finance Bills. See "Finance Bills."

Foreign Loans. Explained under "Sterling Loan."

Foreign Rails. The English term for all foreign railroad securities, although the London stock broker is usually a little more explicit, using the term "Cuban Rails" for railroad securities of Cuba; "American Rails" for our own; and so on.

Foreign Traveler's Letter of Credit. See "Letter of Credit."

Forfeit. A deposit made, for instance, by John Smith to insure his fulfilling his part of a contract entered into with Charles Jones; this deposit to become the property of Jones in case of Smith's failing to carry out his agreement. (See also "Sealed Bid.")

Forged Bonds. During the winter of 1905–1906 there was a considerable agitation on the subject of forged municipal bonds, and numerous instances occurred causing serious loss and inconvenience. There are several ways in which this sort of forgery can be accomplished. As a municipal bond is not customarily executed upon protective paper, such as must be used for securities to be listed upon most stock exchanges, many being lithographed and perhaps only printed, any ordinary printing establishment being employed for the purpose, there is very little standing in the way of the reproduction of the actual form of the bond itself, the signature of the coupon being almost invariably a facsimile of that of the official required to sign the same, and not a pen and ink signature. Again, a good many smaller municipalities may leave the furnishing of the form of bond entirely to the banker, who may, with ease, have more bonds printed than required. Now, as to the attaching of the signature and seal. The latter is of no great difficulty, as a reproduction of the seal can most generally be made without much trouble. The signature, or several such, upon the face of the bond may be easily accomplished, as there is not great need of a careful imitation of the genuine. Bonds are not like a check, and the signatures ordinarily do not have to pass the scrutiny of some one familiar with the handwriting of the proper signers.

It will be seen that all the above is easily within the ability of a fairly clever dishonest person. When the first coupons mature, however, if collected through some other source than the party who forged them, the forgery will be detected; but, in the meantime, dishonest ends may have been accomplished.

There is one way which the purchaser of a municipal bond may reasonably satisfy himself as to the genuineness of the signatures. When the bonds are taken up and paid for by the banking house originally purchasing them, they should be accompanied by a paper, known as a "signature certificate," upon which should be the pen and ink signatures of each official required to sign the bonds, which signatures should be attested as genuine before some bank official in the city or town from whence the bonds emanated or by a notary public located therein. This "signature certificate," when carefully compared with the signatures upon the bonds, will prove pretty conclusively as to whether or no they are spurious. Bonds which have been outstanding for some years, and upon which it is reasonable to suppose that the coupons have been collected from time to time, would hardly require the taking of such precautions as above suggested, as it would be a reasonable certainty that forgery would have been long before detected. This all, therefore, applies to bonds of comparatively recent issue, or what may be termed "new issues."

The proper remedy for all this is for the several States to enact laws, as has already to a limited extent been done in at least one of our States, which should provide for the examination of each issue as to its legal status by the attorney-general, or some proper authority, and thereafter should bear a certificate to the effect that each bond had been so approved. Or, at least, laws should be passed whereby each bond issued by a municipality in any given State should be examined and found genuine by the proper State official and attested to that effect and sealed accordingly. Whereas, such bonds, perhaps, would not be entirely beyond forgery, it would make such an act difficult. This having them countersigned, as it were, is worth attention, as it brings into play the same precaution as taken by many banks and corporations in countersigning all checks.

The question may be raised: Why does not the same argument apply to corporation bonds? It will be observed that corporation bonds bear a certificate of the trustee, which is a safeguard somewhat similar to that suggested above. The purchaser of bonds of any kind should examine them very carefully to see that all signatures are attached, or seals placed thereon, if any are required, and that any certificates, such as a trustee's certificate, are signed. It is uncommon to find that any bonds have passed through the hands of reputable bankers with any of the above essentials omitted.

For Money. For cash. This will be understood by referring to " Consols for Money."

For the Account. An English term indicating a purchase of securities for delivery on an " account-day," as the " fortnightly settling-days," to which refer. A security bought for immediate delivery is known as " for money."

For the Opening. The sale of a stock for delivery after the opening of a company's transfer books. (See " Books Close.") This must not be confused with " at the opening," which is explained under that heading.

Fortnightly Settlement. See " Fortnightly Settling-Days."

Fortnightly Settling-Days. The four days in London (" account-days "), occurring approximately every two weeks, upon which securities contracted for sale during the preceding fortnight are delivered and paid for, as well as all differences settled. These days are set by the London Stock Exchange Committee some time ahead and so arranged as not to cover a Saturday, Sunday, or a holiday. The term " fortnightly settlement," as commonly used in London, is somewhat misleading, as that city " settles " twenty-four times a year, or twice a month. " Fortnightly settlements " would strictly call for twenty-six settlements. Twenty-eight days, therefore, must be distributed over the twenty-four settlements. This is accomplished by allotting nineteen-day accounts, and once in a while a twenty-day account occurs.

Although there are really four days in the settlement, by general custom the last day is referred to as the third day, and so backward in reverse order, so that really the first day of the settlement is not called the first day at all. This may be explained from the fact that the first day is really "carry-over (or 'contango') day" in mines, and the second "carry-over day" for the rest of the market. The settlement was originally of three days, when the first day was "carry-over day" for everything. After the settlement was changed to four days, by preceding it with another "carry-over day" for mines, the "carry-over day" for the rest of the market was still referred to as the first day. The two "carry-over days" are followed by what is known as "ticket-day," and the last day of the settlement is "pay-day." (These subjects will be found explained under their separate headings.) Should the days be so set that the "contango day" for mining securities would, in the ordinary course, fall on a Saturday, "mining contango day" would be the last preceding business day.

Forward Movement. An advance in prices.

Founder's Shares. Much the same as "promoter's shares," but as this is more particularly an English term, and they are now seldom, if ever, issued, no more space need be given the subject.

Fourpence, Fourpenny Piece, or Fourpenny Bit. A silver coin of Great Britain, equal in value to about 8 cents United States money. Also called "groat" and "joe."

Four Ports. New York, Boston, Philadelphia, and Baltimore.

Fractional Currency. Money of lesser denominations than $1. Coins are all we now have in general use of this kind of money, but not so formerly, as is explained under "Suspension of Specie Payment."

Fractional Lots. The usual units for transactions upon the stock exchanges are based upon 100 shares of stock or $10,000, par value, in bonds. Transactions for lesser amounts are known as "fractional lots," or "odd lots." On many exchanges lesser amounts, say 50 shares of stock or $5,000, par value, in bonds, are the units.

Franc. The unit of money of the "Latin Union" — France, Switzerland, etc., — as the dollar is for the United States and Canada, and equal to $.193 United States money.

In quotations of foreign exchange "francs" indicate exchange on Paris.

France, Government Bonds of. See "Rentes."

France, Offering American Securities for Sale. The Daily Consular Report of June 8, 1907, gives the following extract from the law of Jan. 30, 1907, which is of interest to those contemplating offering American securities in France:

"Prior to all measures of publicity the parties issuing, exhibiting, introducing, or offering for sale such securities shall cause to be inserted and published in a bulletin supplement to the Journal Officiel, the form of which will be determined by decree, a notice containing the following announcements:

" First, the denomination or title of the society (or company). Second, citation of the legislation (French or foreign) under which the corporation is organized. Third, the location of its central office. Fourth, the object of the enterprise. Fifth, the period of time for which the company is authorized. Sixth, the amount of its capital, and the amount assessed and paid or remaining to be paid in, on each class of securities. Seventh, the last balance sheet, duly certified as being a true copy, or a statement to the fact that one has not yet been issued.

" There shall be also indicated the amount of obligations which have been already issued by the company, with enumeration of the guarantees which are attached thereto.

" There must be furthermore stated the stipulated benefits which accrue to the profit of the organizers, administrators, and managers of the company.

" The issuers, exhibitors, introducers, and those who offer for sale such securities shall be domiciled in France; they shall be required to sign the above specified notice with their name and address."

Franchise. A particular privilege granted generally to an incorporated body. It is necessary, for instance, for a street railway company to obtain a "franchise;" that is, a privilege to operate and do business, before constructing its road. A franchise may be perpetual; that is, granted for all time, but very frequently it is limited in its duration.

Great care should always be taken by a purchaser of a bond to be sure that the franchise covering the property bonded does not expire before the date of the maturity of the bond. In buying stock in a corporation, which, for all practical purposes, has no date of maturity, the length of the franchise should be taken into consideration, for if at its expiration it cannot be renewed, or renewal obtained only under arduous conditions imposed upon the corporation, it might not be desirable to be among its stockholders. The value of a terminable " franchise " is questionable. In these days of the agitation for " municipal ownership " this franchise question is a very serious one, and time should be allowed to investigate thoroughly, and the future read with all the care possible.

Franc Loan. An issue of bonds, or similar securities, the principal and interest of which are payable in " francs," *i.e.* French money.

Francs. See " Franc."

Franklin. Franklin Mining Co. (Copper.)

Fraternal Insurance. See " Assessment and Fraternal Insurance."

Free Credit. See " Open Account."

Free Silver. This term as commonly understood in reference to the coinage question, means the right on the part of any person to deposit " standard silver bullion " at any of the United States mints in any amount, and have the same coined at the Government's expense; the depositor receiving in return for his bullion silver coins containing in total the same weight of fine silver as brought by the depositor.

Free Tontine Insurance. See " Tontine Insurance."

Freight Density. The same as ton miles per mile of line. It measures the general volume or density of business done. To find the " freight density," as it is called, of a railroad, divide the total number of tons (for a given period) carried one mile (or the " ton mileage ") by the number of miles of line operated. Example: Take a railroad 100 miles long. Suppose, to make it as simple as possible, that all freight carried was for half its length, and that in a year 1,000,000 tons were hauled the 50 miles. This would give 50,000,000 tons hauled one mile; *i.e.* 1,000,000 tons hauled 50 miles is the same as 50,000,000 tons hauled one mile. Dividing this " ton mileage " by 100 — the number of miles of line operated — we get 500,000, which is the number of " tons carried one mile per mile of line."[1] (See " Ton Mile " and " Ton Mile Cost.")

Freight Miles. Same as " ton miles." This is explained under " Freight Density."

Frisco. Saint Louis and San Francisco Railroad Co.

Frozen Out. Used in reference to a broker closing out a marginal account when the " exhaust price " has been reached. (See " Exhaust Price.") If one should lose his position as officer or director in a corporation, by a prearranged plan on the part of others holding the control, the expression " frozen out " might be applied.

Frs. The sign used in the French monetary system for " francs," as $ is for our dollar.

Fruit. United Fruit Co.

Full Stock. This term was formerly used to distinguish shares of a par value of $100 from shares of a lesser par value, say $25, which, for example, were called " quarter stock." Now, all shares on the New York Stock Exchange are quoted in dollars and not in percentages.

Fully Paid (Full Paid). No more due; no further payment

[1] Statistics of Railways in the United States, 1904. Interstate Commerce Commission.

may legally be demanded. A stock is "fully paid" when it has been issued in exchange for its face value in cash, or its equivalent; issued in exchange for its value in property. In many States it is unlawful to issue stock in all, or at least in certain classes of, corporations except as "fully paid." This law is sometimes circumvented by property, which is desired by a certain corporation, being purchased in the name of some disinterested person, and by him sold to the corporation at a great advance in price, the corporation paying him in stock, equivalent in its face value to the price at which the property is taken by the corporation. This stock is afterwards distributed in accordance with the previous arrangement made. This is a questionable proceeding, but is a practice which has been largely entered into, particularly in recent years. (See "Non-assessable.")

Funded Debt. The bonded, or other debt, of a more or less permanent nature. Usually, debt not maturing within twelve months.

Funding. Converting debts — not bonded — of various amounts and maturities, or a debt now or soon due, into a unified form, usually with a fixed rate of interest, maturity, etc. As an example, imagine a city to have outstanding debts in the form of notes which fall due from time to time, and which the city has to renew or extend, and which it appears unable, from its resources, to pay off for a term of years. By the method of renewing, from time to time, excessive rates of interest are often paid, and, in the long run, it is an expensive way of borrowing. By the issuing of bonds, at a favourable opportunity, money may be obtained at a lower rate of interest, and a saving made to the city. The selling of bonds in this case to pay off the notes is called "funding." Unless the expenses incurred in the process of "funding" are included as part of the new issue, the latter sold at a discount, or a premium (or bonus) paid to retire the former debt, the "funding" issue should be equal in amount to the indebtedness "funded." The habit is to issue bonds to "fund" a debt, but issuing stock or any more or less permanent kind of security to provide for floating indebtedness is, to all intents and purposes, "funding."

Funding and Real Estate Mortgage Bonds. A good example of an issue of this kind is that of the Western Union Telegraph Co., which has an authorized issue of $20,000,000, dated May 1, 1900. These are secured by a first mortgage upon the company's real estate in New York and Chicago, together with all buildings, fixtures, and telegraphic equipment thereon. The company agrees that no future lien shall be created upon any of its real and personal property within the United States having priority over these bonds, or create any mortgage without recording a prior lien as security for the payment of the principal and interest of these bonds.

The object of a loan of this kind is when a relatively small issue is to be made to save the trouble and expense of mortgaging all the property of a company by selecting certain parcels of real estate sufficient to properly secure the issue.

Funds. (See "Cashier's Check.") By the term "funds" is generally understood cash or money, checks, drafts, or any such instruments which can readily be converted into money.[1]

Futures. (Explained under "Grain.") There was a United States Supreme Court decision in the Chicago Board of Trade case, in which Judge Oliver Wendell Holmes concluded with the statement that transactions in "futures" differ from mere gambling contracts. He said in part:

"People will endeavour to forecast the future and make agreements according to their prophecy. Speculation of this kind by competent men is the self-adjustment of society to the probability."

F. & A. Interest or dividends payable semi-annually, February and August.

G

g. Gold.

Garnishment (Garnishee). A method of attaching property or credits belonging to a debtor, but held for or owed to him by another. For example, suppose Robinson owes Brown $40, which the latter has not been able to collect. By a legal process, he attaches Robinson's bank account to the amount of the debt, or, as it is called, "garnishees" the account. In Massachusetts this process is called "trusteeing."

Gas Company Bonds.[2] Issue secured by first mortgages, or "junior mortgages" properly protected, upon gas works have proven a satisfactory class of investment. The percentage of loss has been remarkably small; the failures of gas companies have been comparatively few. It was thought that the advent of electrical lighting would injure existing gas companies, but improved methods of manufacture have enabled them to reduce rates and remain prosperous.

[1] F. A. Cleveland describes "funds" as "any and all things which may be accumulated and which may be currently used in a community in exchange for goods or properties of others."

[2] For the idea of the use of gas as an illuminant, the world is indebted to William Murdoch, a Scottish engineer. F. A. Winsor, a German by birth, carried out, however, the first street lighting, which occurred at Pall Mall, where gas lamps were used Jan. 28, 1807. In 1810 a gas company was formed. In 1813 Westminster Bridge was permanently lighted by gas lamps, and in 1816 the general use of gas was adopted in London.

In many instances the combination of the two forms of lighting under one company has been successful.

The usual care should be given in the selecting of gas company securities for investment. Net earning should be not less than twice the interest charges; the mortgage ought not to exceed 50 or 60% of the replacement value of the property; the franchise must outlive the bond issue; a reasonable sinking fund is desirable; competition must, of course, be considered; the city or town contract[1] for lighting should be at a satisfactory rate so that there is likelihood of its being renewed from time to time, and rates to all customers must be reasonable compared with similar conditions elsewhere.[2]

Natural gas propositions should be approached with caution. Many of them are proving short-lived.

The following quotation from a Boston newspaper is of interest: "American experience does not greatly encourage this policy (municipal ownership) and yet, were it submitted to a majority vote in many municipalities, adoption would probably follow. Only twenty gas systems in municipalities of the United States are to-day publicly owned, as against nine hundred and fifty-six in private hands. Electric lighting, for some reason, has been a much more favoured municipal enterprise, the figures standing one hundred and ninety-three public systems to eleven hundred and ninety private, in places having a population of more than three thousand, for which these figures are all prepared. Certain things the community can doubtless do better in its public capacity, and this is roughly indicated by the decisions which Americans have made."[3]

Gen. (or **Gen'l**). General — general mortgage.

General and First Mortgage Bonds. See "General First Mortgage Bonds."

General Contango Day. See "Fortnightly Settling-Days."

General Expenses. This is one of the subdivisions of the

[1] Under "Electric Light Company Securities" will be found further information relating to city contracts, which applies with equal force here.

[2] The tendency of gas companies is to reduce the price, as is shown by the fact that in 1886 the average price paid by the consumers of Massachusetts was $1.72, from which time there has been a steady decline down to 85 cents in 1913, and a slight increase since to the present time, when it is a little in excess of $1.00.

[3] For an able treatise against municipally owned electric lighting plants, see "The Results of Municipal Electric Lighting in Massachusetts," by Dr. E. E. Lincoln (Houghton Mifflin & Co., 1918).

form prescribed by the Inter-State Commerce Commission, for the classification of the operating expenses of a railroad. It includes the salaries paid clerks and attendants and general officers, insurance, legal expenses, general office expenses and supplies, stationery and printing properly belonging to the same, and other expenses.

General First Mortgage Bonds. It is difficult to understand why the word "first" should appear in such a title as the above, as it is used. In practice, such an issue is either not secured by a "first mortgage" at all, but is just a plain "general mortgage" (see "General Mortgage Bond") or is, at the best, a "first mortgage" on but an insignificant part of the property, in which case, "general AND first mortgage" would be the proper title. To be sure, a "general first mortgage" may become a FIRST lien after the earlier lien issues have been paid.

General Fund. Money not appropriated for some particular purpose, but which may be used for general and miscellaneous expenses.

General Indorsement. The same as "Indorsement in Blank."

General Mortgage Bonds. This title has taken the place of the old, but now disliked, "blanket mortgage." Secured by a mortgage upon the property of a corporation and subject to earlier mortgages placed upon parts or all of its property. This is a very common method of borrowing money on the part of railway companies, and has been necessitated in this country by its remarkable growth and development. The railroads, which at the time of their early construction provided inadequately for the enormous demands upon their capacity for handling traffic, as since developed, issued bonds covering the property at the time of its construction, many of which have not yet matured. The enormous increase in business of such a railway has demanded tremendous enlargements to its road and equipment, and, as the value of such property is largely in excess of the original mortgage or mortgages placed upon it, a "general mortgage," so-called, is issued, representing, in part, the value of the property in excess of the earlier mortgages. When such a "general mortgage" is issued, it is usually made large enough not only to provide for the needs of the company at the time of its issue and possibly for future extensions under proper restrictions, but to set aside in the hands of the trustee of the mortgage sufficient bonds to be later disposed of to replace the earlier mortgages as they fall due. This automatically results in a "general mortgage" eventually becoming a "first mortgage."

The investment value of the above depends upon the standing of the company, — its net earnings available for interest charges upon the issue, etc., — the amount of underlying liens, and, in short, what equity there is in the property above the general mortgage issue. In this connection read also "Consolidated Mortgage Bond."

George Smith's Money. A condition existed in the early days in the West, when many of the then recently created Territories were suffering from a deficiency in metallic money, and the lack of a proper system of "banks of issue." In 1839 two Scotchmen, George Smith and Alexander Mitchell, created a new form of money in Wisconsin by obtaining from the legislature of that Territory a charter for a Marine and Fire Insurance Company, under which charter, although it contained a special restriction against banking privileges, notwithstanding, the company advertised to "receive money on deposit and transact other moneyed operations." "Certificates of deposit" were consequently issued in sums ranging from $1 up to $10, and were much in the form of bank bills. As there was a great popular need for something of this nature in the form of money, these certificates were soon in circulation through many of the adjoining Territories. They were redeemed in specie at the central office at Milwaukee and at agencies in other Western cities in New York exchange, at the then current rate.

The "George Smith money" was a good money, and was freely accepted through that section of the country so long as any of it was outstanding. It was always promptly paid upon presentation.

Gilt-edged. Highest grade; most conservative class of investments; those in which loss to the owner is least likely to occur. One writer indefinitely defines "gilt-edged" securities as "those suitable for the investment of trust funds."

Give Up. To disclose the name of one's customer.

GM. The "ticker" abbreviation for "general mortgage."

GNT. The "ticker" abbreviation for "land grant," as "land grant bonds."

Gold Banks. Associations may be organized under the National Banking Act for the purpose of issuing bank notes payable in gold. (See "Circulation.") Such banks are known as "National Gold Banks," or "Gold Banks," and to take out such circulation must deposit with the Treasurer of the United States, in the same manner as prescribed for the taking out of ordinary circulation, United States bonds bearing interest but *payable in gold*,[1] but not exceeding eighty per cent. of

[1] While the 2% Consols of 1930 are the only bonds which are payable

the par value of the bonds deposited. These notes are payable upon presentation at the bank of issue in gold coin of the United States and shall be so redeemable.

While Section 5185 of the United States Revised Statutes, authorizing the organization of "gold banks" has not actually been repealed, practically this result was obtained, however, by the Act of Feb. 14, 1880, authorizing the conversion of "gold banks" into "currency banks." As a result, there are, to-day, no "gold banks" in existence.

Gold Bars.[1] Bars of pure gold. (Refer to "Assay Office Bar.")

Gold Basis. A country is on a "gold basis" when values are measured in gold; gold is the monetary standard. (See "Standard of Value.")

Gold Bonds. In America bonds payable in United States gold coin of the present standard of weight and fineness.

Gold Brick. Any unsound dishonest scheme or investment made to have all the appearances of honesty and soundness.

Gold Certificates. As a matter of convenience to the public, the United States Government has authorized the Secretary of the Treasury to receive deposits of gold coin and bullion in sums not less than $20, and issue certificates therefor in denominations not less than $10. Inasmuch as these certificates are receipts for gold, they are redeemable in gold coin by the Treasurer and by all Assistant Treasurers of the United States. The law provides that "the Secretary of the Treasury shall suspend the issue of gold certificates whenever the amount of gold coin and gold bullion in the Treasury, reserved for the redemption of United States notes, falls below one hundred millions of dollars." The Secretary is also empowered, in his discretion, to suspend such issue whenever and so long as the aggregate amount of United States notes and silver certificates in the general fund of the Treasury shall exceed $60,000,000; he must also see that at least one-fourth of all certificates outstanding shall be in denominations of $50 or less.[2]

On Dec. 1, 1916, the face value of these certificates outstanding amounted to $1,573,376,719.

They were not legal tender, but receivable for customs,

principal and interest in gold, yet, since the Act of March 14, 1900, provided that the Secretary of the Treasury shall maintain all forms of United States money at a parity of value with gold, it seems that all United States bonds would do for the purpose.

[1] Prescott, in his "Conquest of Mexico," speaks of the ancient Aztecs using gold "cast into bars" as part of the regular tribute of the Southern provinces of the empire.

[2] Act of March 14, 1900, as amended March 4, 1907.

taxes, and all public dues. They may be used as part of a national bank's "reserve."

Gold Coinage. The United States Government provides for free and unlimited coinage of gold; that is to say, gold bullion of standard quality may be deposited at the mints in any amount and coined for the benefit of the depositor, without any charge being made for the coinage. If the bullion is not standard a charge is made for parting, or refining, or for copper alloy, as the case may be.

Although the mints may lawfully refuse to receive for coinage purposes gold bullion of less value than $100, in practice they do not do so.

Gold Coin of the United States. "Is legal tender at its nominal or face value for all debts, public and private, when not below the standard weight and limit of tolerance prescribed by law; and when below such standard and limit of tolerance it is legal tender in proportion to its weight."

Gold coin is issued by the Treasurer of the United States and all the Assistant Treasurers in redemption of Treasury Notes of 1890, United States Notes, and Gold Certificates.

Gold Corner. Described under "Black Friday."

Gold Exchange. The "Gold Exchange" grew out of speculation in gold during the Civil War, and was organized in 1864. It was here, *i. e.* the "Gold Room," as it was called, that the bull movement in gold was manipulated which resulted in the memorable collapse known as "Black Friday," to which refer.

Gold Exchange Standard. The monetary system under which silver and minor coins form the chief part of the circulation, but are kept at a fixed value in gold by government control of their quantity and by the sale of drafts on a gold exchange fund at par, subject to the usual charges for gold exchange.[1]

The Philippine Islands and Mexico are examples of the adoption of this monetary system.

Gold Export Point. Whenever the prices of foreign "exchange" reaches the point where it is cheaper to buy gold bullion, and ship same, to adjust a debt due than to buy "exchange," the "gold export point" is reached. Consideration is taken of cost of bullion, expressage, insurance, loss of interest during transit, etc. When rates are rising toward the export point they are referred to as "unfavourable."

The *London Economist* had for years been quoting the

[1] The author is indebted to Mr. Charles A. Conant, the able author of many financial publications, for furnishing this definition of "Gold Exchange Standard."

"gold export point" at \$4.89, and the "gold import point" at \$4.827, but previous to the great World war, the reduced cost of freight and insurance, together with the shorter time consumed in transmission, had tended to bring the two points nearer together, and so, generally speaking, the "gold export point" was considered to be \$4.884 and the "gold import point," figuring interest at 6%, as \$4.833.

Gold Export and Imports. See "International Movement of Gold."

Gold Import Point.[1] Read "Gold Export Point," by which it will be seen that what conditions make for such a point in one country as against another, will naturally result in the "import point" in the other. When the price of London exchange, for example, falls to about \$4.833 this point is considered to be reached. As it tends in this direction it is called "favourable." Nevertheless, on Dec. 29, 1906, "sight exchange" on London fell to the extremely low price of \$4.8265.75; but no gold was imported. This was due to the fact that the Bank of England discount rate was ruling 6%, and the bankers did not wish to force an increase in the rate, which would have been the natural result of exporting gold from that country to America.

Gold Inflation. There is a theory that a relation exists between the supply of gold and the prices of commodities. Prof. Cairnes claimed that the rise in prices was the gradual result of the gold discoveries in Australia and California.

The space at the author's disposal will not permit of a covering of the ground here. Those desiring to thoroughly cover the subject cannot do better than to refer to Conant's "Principles of Money and Banking," in which he treats most exhaustively upon the matter.

Gold Movement. See "International Movement of Gold."

Gold Note. Another very common term for "gold certificate." It is also used in reference to any promissory note which calls for payment in gold.

Gold Point. By this may be understood either the "gold import point" or the "gold export point" to which subjects reference may be had.

Gold Product of the United States. The Secretary of the Treasury, in his report for 1920, gives the product of this country for the calendar year 1904 as \$80,464,700; for 1905, \$88,180,700; for 1906, \$94,373,800; for 1915, \$101,035,700, and for 1919, \$60,333,400.

[1] Since the Secretary of the Treasury has established the precedent as explained under the first foot-note to "International Movement of Gold" this changes the "import point."

Gold Product of the World. From the time of the discovery of America to 1520, Dr. Adolph Soetbeer estimates the average annual product of gold as only $3,855,000. At no time did the average output exceed $16,500,000 until the decade ending 1850, during which time the average was $36,393,000. Beginning with 1876, the average did not drop below $100,000,000 except in 1883, for which time it was $95,392,000. In 1896 it exceeded $200,000,000 and in 1915 reached the amount of $470,466,214. The estimated total world's product from 1493 to 1919 inclusive is $17,754,324,651. The above averages, unless otherwise stated, are based upon 5, 10, or 20 year periods.[1]

Comptroller of the Currency estimates (1920) world's total stock of gold at $10,000,000,000.

Gold Reserve. In order that the paper money of a nation may pass among its people at its face value, the belief must prevail that the government will, upon request, redeem the paper in full in coin. By an act of the Congress of the United States in the year 1900, the duty was imposed upon the Secretary of the Treasury of maintaining at an equal value all forms of governmental money and redeeming the Government's legal-tender notes at par. In order to do this he shall keep a "gold reserve" of $150,000,000 for the only purpose of redeeming, on presentation, the United States notes and Sherman notes. Upon the reserve falling below $100,000,000 he shall sell United States Government bonds to replenish it.

Gold Standard Act. See "Financial Bill."

Gold Standard of Value. See "Standard of Value."

Gold Treasury Certificates. See "Gold Certificates."

Good Delivery. A security is "good delivery" when the rules and regulations of the stock exchanges regarding its physical condition and the signing of certificates have been complied with.

Good until Cancelled. An order to buy or sell, and which remains good until countermanded by the one giving the same. It is frequently abbreviated by the letters "G. T. C.," *i.e.*, "good till cancelled." It is the same thing as an "open order," so called.

Good-will. Good-will is the material value of a business as a profit-producing enterprise, either realized or prospective.

Some writers define this subject as the bonded debt of a plant less its valuation at forced sale. Others, as the ad-

[1] Since 1885 the estimates are by the U. S. Mint.

vantage or benefit which is, acquired by an establishment, beyond the mere value of the capital, funds, or property employed therein.

The writer's definition is, earning power which may be capitalized, but good-will in a balance sheet should seldom exceed 50% of the total invested capital.

Buildings, machinery, etc., may be almost valueless for any other purpose than for the particular product they are turning out, and, consequently, the indebtedness against such a property is, to quite an extent, dependent upon its success. "Good-will" varies much in different industries. In a case where there is more or less of a monopoly it may be very valuable, or where the character of the goods manufactured enjoys such an established reputation and demand that there is little danger of competition. But long consideration should be taken of this item in the assets of a corporation in determining the amount of indebtedness which may be placed upon the same. It is better financing to value the "good-will" only in reference to the issue of stock, and then conservatively.

Goschens. See first part of "Consols."

Go Short. See "Selling Short," meaning the same.

Gould Lines (or Stocks). Stocks of corporations in which George J. Gould, son of the famous Jay Gould, had a predominating influence; notably, Missouri Pacific, Texas & Pacific, Denver & Rio Grande, Rio Grande Western, Wabash, St. Louis Southwestern, Western Pacific, Western Maryland, Wheeling & Lake Erie, Wabash-Pittsburgh Terminal (now Pittsburgh & West Virginia), and the Central Branch Railway Companies.

Gourde. The monetary unit of Haiti, equivalent to $.965 United States money.

Government Assay Bar. See "Assay Office Bar."

Government Bond Interest Anticipated. There have been numerous instances when the Secretary of the Treasury has afforded relief to a stringent money market by the payment of interest on United States Government bonds some time previous to its actually being due. This occurred Dec. 15, 1905, after which date coupons due Jan. 1, 1906, were paid on presentation, and checks mailed to registered holders. The amount due was $4,200,000, which was expected to give some assistance, for money rates were extremely high at the time.

Government Bonds. Formerly we understood these to be the interest bearing obligations of the United States of America, but now that New York has become such an international money centre, and Americans, like the English, have begun to deal in foreign securities, many of the other government issues — France, Japan, Great Britain, etc., — are largely held here.

A brief sketch of the United States Government's debt from its earliest creation may not be amiss.

Naturally, the first indebtedness was caused by the American Revolutionary War, and, thanks to the far-sightedness of Alexander Hamilton, the debt was properly financed and never repudiated. The new Government of the United States, after the close of the war, found itself burdened with a total debt of $72,775,895. Fluctuations of the debt have been as follows:

Jan. 1, 1791	$75,463,476.52
Jan. 1, 1804	86,427,120.88
Jan. 1, 1812	45,209,737.90

Then followed the war with Great Britain, and, as a result, the debt increased in 1816 to $127,334,933.74. In 1835 the country was practically out of debt, then another war, namely, with Mexico, resulted in a debt being created, which was:

July 1, 1849	$63,061,858.69
July 1, 1857	28,699,831.85

The expense of the Indian War increased this debt, until in 1861 it reached $90,580,873.72. Then followed the Civil War, which resulted in the enormous total interest bearing debt Aug. 31, 1865, of $2,381,530,294.96. From this point the debt was gradually reduced, so that on July 1, 1893, there were only $585,073,100 bonds drawing interest, outstanding. During the Cleveland administration, bonds to the amount of $262,315,400 were issued, in order to keep the currency of the country upon a gold basis. During the war with Spain $198,792,660 additional were issued, but after this war a slight reduction was made in the debt from surplus revenues, and on Oct. 31, 1909, the total interest bearing debt of this government was only $913,317,490, which compares very favourably with the debts of other nations.

There are some very salient features about the credit of the United States, which is the highest of any nation on earth. In the first place, our Government bonds sell at a higher price, or, in other words, at a lower interest return, than the bonds of any other nation. There are over $674,000,000 outstanding bearing only 2% interest, being the lowest rate of any national issue. This is due to several reasons, viz.: the existing belief in the ability of the Government to meet its obligations; the fact that it maintains the standard of gold payments, and, added to this, the non-taxable features of the bonds, for they cannot be taxed by either Government, State, or other municipality of the Union, and, last but not least, the privilege of deposit with the government by national banks to secure circulation; that is, the issuing of national bank notes.

Government bonds are issued in two forms, coupon and registered. (See " Coupon Bonds " and " Registered Bond.") The former may be converted into registered bonds of the same loan, but there is no law authorizing the conversion of registered into coupon bonds. Coupon bonds, for exchange into registered, should be addressed to the " Secretary of the Treasury, Division of Loans and Currency." The Department makes no charge for conversion.

In case of loss of registered bonds, notify the Secretary of the Treasury without loss of time in order that a " caveat " may be entered to prevent the transfer of the missing bonds on the department's books. Thoroughly describe each bond, giving its number, the face value, act under which issued, rate per cent., etc., all of which is another argument for retaining a careful description of one's securities. The Treasury Department will not stop payment on lost coupon bonds, or coupons themselves.

There are many regulations in which the investor or dealer in Government bonds should be versed; such, for instance, as relating to relief in cases of destroyed or defaced bonds and destroyed coupons, transfer of bonds, assignment of bonds, and of the same by attorneys, etc., all of which are set forth very specifically in a book entitled " Regulations of the Treasury Department in Relation to United States Bonds," which it is advisable to apply for, as only the most essential points are touched upon in the treatment of the subject herein.

Government bonds bearing interest and outstanding:

INTEREST-BEARING DEBT OF THE UNITED STATES, JUNE 30, 1920

Interest-bearing Issues

	Int. rate	*Amount Outstanding*
Consols of 1930	2%	$599,724,050
Loan of 1925	4	118,489,900
Panama Canal Loan of 1916–1936	2	48,954,180
Panama Canal Loan of 1918–1938	2	25,947,400
Panama Canal Loan of 1961	3	50,000,000
Conversion Bonds of 1946–1947	3	28,894,500
First Liberty Loan	3½	1,410,074,400
First Liberty Loan converted	4	65,803,050
First Liberty Loan converted	4¼	476,581,350
Second Liberty Loan	4	240,003,250
Second Liberty Loan converted	4¼	3,085,303,750
Third Liberty Loan	4¼	3,662,715,800
Fourth Liberty Loan	4¼	6,394,354,500
Victory Liberty Loan	4¾	3,427,969,700
Victory Liberty Loan	3¾	818,395,650
Certificates of indebtedness	various	2,768,925,500
War Savings Certificates, series 1918–1919–1920	4	827,419,021
Postal Savings Bonds (first to eighteenth series)	2½	11,539,360
Total		$24,061,095,361

The " transfer books " are closed during the month immediately preceding dates of interest payments, with the exception of the 4% loans of 1925, in which case the books close on the 15th day of the month preceding interest payment. Bonds not received for transfer prior to, or upon, the day fixed for the closing of the books will not be transferred until after the reopening of the same, and, consequently, the interest for that quarter will be paid to the parties whose names appear in the old bonds.

There are many large banks and banking houses which make a specialty of dealing in Government bonds. Transactions are not in as great a volume upon the stock exchanges as through direct dealings with bankers, such as the above, and prices at which purchases or sales are made without the exchange may vary slightly from the stock exchange quotations at the time.

Much information may be obtained in relation to Government bonds from those making a specialty of dealing in them, who, in some cases, have issued books full of data upon the subject.

The Supreme Court of the United States handed down a decision in 1906 to the effect that interest upon United States Government bonds is taxable, whether the bonds are owned by an individual or corporation, and whether the interest is held in the form of draft, check, or money.

Government securities may be considered among the luxuries of investments. Those of our own country and Great Britain rank the highest. Probably nothing safer can be found, if the low interest return is no objection. They always afford a ready market, and are in constant demand among banking institutions, insurance companies, trustees, etc. The market value is, of course, influenced by political and industrial conditions, so likewise of other investments. Government securities are constantly fluctuating, but the price variations are of no great moment. At least, it is fair to assume that even in a great crisis the fluctuations would probably be less than the average of other securities. Although Government bonds are not the most profitable outlet for money, it is unquestionably a fact that some investors would, in the long run, be better off with the low rate of interest afforded by them, than results from their taking a greater risk by seeking in other directions for higher rates.

The writer does not undertake to treat of this subject beyond the two nations above referred to. It is impossible to treat of the Government securities throughout the world. See also "Liberty Bonds."

Government Depository. See "United States Depository."

Government Note. Government paper money.

Governments. "United States Government bonds." (See "Government Bonds.)"

Grab. A definition for the slang meaning of this word has been recently given in the New York State legislature by one of the State Senators, who said: "It is giving great power for nothing, sneaking bills through which have a hidden purpose."

Grace. See "Days of Grace."

Grade. The per cent. of grade means so many feet vertically in 100 feet horizontal. A 5% grade, for instance, means a rise of 5 feet in each 100 feet of horizontal distance travelled. A mile representing 5,280 feet, a 1% grade means a rise of 52.8 feet in that distance; a 4% grade means a rise of 211.2 feet in a mile.

Graft. This is not a new thing; it has existed time out of mind. "Graft" is an old word which has recently been given a new meaning to meet the American demand for time-saving, by expressing much in little. It denotes dishonesty in business; corruption among public officials, or the abuse of any trust to a dishonest money-making end. Technically it does not mean putting the hand in the safe and deliberately stealing, but the abuse of opportunities possessed over one's fellows to make money. Selling one's vote or influence, bribery, etc., are examples.

Grain. In buying or selling wheat, corn, etc., there are a few essential points to understand although entering into detail upon this subject is not within the scope of this work. Trading in grain is not a common field for the investment of funds on the part of such as it is the intention of this book to assist.

Chicago is the leading grain and provision speculative market in the world, and, on account of its being such a large distributing market, is very apt to dominate prices. Short or abundant crops of course naturally affect the price of grain. In dealing in grain, one usually speculates in what are called "futures"; that is, if you should buy grain in February, you would very likely buy May grain, but if you should retain your contract and not sell it until the first day of May, it would become cash grain, as the seller would then have the right to deliver to the buyer of the contract at the maturity of the option. Deliveries may be made on grain from the first to the last of the month inclusive. Therefore, if one "long" of May "futures" has the grain tendered for delivery on May 1st, he would be subject to paying cash for it and also charges for storage, insurance and certain other costs.

It is evident that one buying grain contracts, as a matter of speculation and not investment, should liquidate the same before the maturity of the contract, or transfer the interest to some later month. This is known as "switching."

Before the markets were disturbed by the World war, the usual "margin" required for transactions in grain was about 10 cts. per bushel.

The usual trading unit is in contract lots of 5,000 bushels. The commission charges of the Chicago Board of Trade for the purchase, or for the sale, or for the purchase and sale, are at the rate of $7.50 per 5,000 bushels or multiples thereof, and $2.50 per 1,000 bushels or multiples thereof, in lots of less than 5,000 bushels.

The fluctuation in grain is in cents per bushel; each one cent (called a "point") fluctuation on 10,000 bushels being equivalent to $100. Each $\frac{1}{8}$ cent fluctuation would be equivalent to $12.50.

Grain Bill. A "Bill of exchange" (see that subject) drawn against a shipment of grain.

Grain Pit. See "Pit."

Grain Roads. The railway companies, particularly of the West and Middle West, which derive large earnings from the transportation of agricultural products; such as the

Atchison, Topeka & Santa Fe Rwy.
Chicago & Northwestern Rwy.
Chicago, Burlington & Quincy R. R.
Chicago Great Western Rwy.
Chicago, Milwaukee & St. Paul Rwy.
Chicago, Rock Island & Pacific Rwy.
Great Northern R. R.
Illinois Central R. R.
Northern Pacific R. R.
St. Louis & San Francisco R. R.
Union Pacific R. R.

These are also called ("granger roads").

Granby. The Granby Consolidated Mining, Smelting & Power Co., Limited. (Copper.)

Granger (or Granger Road). See "Grain Roads."

Great Holidays. "Legal holidays" observed in all the States, as Sunday, Fourth of July, and Christmas.

Great Western. Chicago Great Western Railway Co. Frequently known as the "Maple Leaf."

Greenbacks. These are the same as "United States notes."

Greene. The Greene Consolidated Copper Co. There is also the Greene Consolidated Gold Co.

Greene-Cananea. Greene Cananea Copper Co., a virtual consolidation of the Greene Consolidated Copper Co., and the Cananea Central Copper Co.

Gresham's Law. Jevons, in his "Money and the Mechanism of Exchange," briefly explains the law, the truth of which Sir Thomas Gresham perceived three centuries ago, as "bad money drives out good money, but good money cannot drive out bad money." Jevons goes on to say further that "the people, as a general rule, do not reject the better, but pass from hand to hand indifferently the heavy and the light coins, because their only use for the coin is as a medium of exchange. It is those who are going to melt, export, hoard, or dissolve the coins of the realm, or convert them into jewelry and gold leaf, who carefully select for their purposes the new heavy coins."

Groat. See "Fourpence."

Gross. Including everything — no deduction being made. This is more specifically set forth under the next subject.

Gross Earnings. The total amount of income received by a corporation during any stated period from the operation of its legitimate business. In some cases the income derived from rentals or securities owned of other corporations, in which possibly some of the surplus money of the company may be invested, is included in gross earnings. Strictly speaking, however, such items as this latter should come under a separate heading.

Ground Floor (Price). A price less than which no one obtained the security. A term often used to designate the price at which the originators of a financial proposition, such as a syndicate, obtained a participation or interest therein, as distinguished from the price at which the same securities were later sold to the public at large.

"He got in on the ground floor," meaning that he was a participant in the original syndicate.

G. T. C. Good till cancelled.

GTD. The "ticker" abbreviation for "guaranteed."

Guanajuato. The Guanajuato Consolidated Mining and Milling Co. (Gold.)

Guarantee. An undertaking that the engagement or promise of another shall be performed. The 4% bonds of the Ogdensburg & Lake Champlain R. R. Co. are guaranteed by the Rutland R. R. Co., which means that the latter promises their payment in case the former, for any reason, does not fulfill its obligation.

An issue of bonds may be guaranteed in several ways: First, the principal of the bond may be guaranteed only; second, the interest only; third, guaranteed both principal and interest. These are the three principal forms.

The word "guarantee" is often used in the same sense as "guaranty," but in such cases the latter is more correct. "Guarantee" may also be used to designate the party for whom the "guaranty" is made. In the above case the Ogdensburg & Lake Champlain R. R. Co. is the "guarantee." Also read next subject and "guaranty."

Guaranteed Bonds. (What is set forth under the next subject may be read in this connection.) The main point is not to judge a bond on its guaranty alone, but look upon it as the obligation of the issuing company without considering the guaranteeing company, and if that does not prove the mortgaged property of sufficient value to the guarantor to make the guaranty worth while, then it is no proper outlet for hard-earned savings. Naturally, the investor must examine into such matters as the form of "guaranty" (see that subject, and "Guaranteed by Indorsement"); the terms and conditions upon which it was given; whether the principal and interest are both guaranteed, etc.

Guaranteed by Indorsement. This is a term very frequently used. There is a distinction between "guaranteed by indorsement" and "guaranteed." An issue of bonds, for instance, has been "guaranteed" by a company other than the one issuing the same; these bonds may have been guaranteed after their issue, and the fact of such guarantee may not appear on the bonds. In case of an issue "guaranteed by indorsement" each bond bears upon it the statement that it is "guaranteed" by the corporation in question, and the signature of the proper officer of such corporation appears in the statement setting forth the "guarantee."

Guaranteed Stocks. Shares issued by one corporation for the payment of the principal, or dividends on, one or more other corporations have legally assumed responsibility. Stocks may be guaranteed as to dividends only, or as to both principal and dividends. Such stocks are a very favourite form of investment, especially guaranteed railway company shares. A great many of the large railway systems comprise smaller properties which have been leased for a term of years, sometimes the length of such lease, for all practical purposes, being in perpetuity, the smaller property being leased to the parent company in consideration of a fixed rental, from which sum are distributed dividends to the shareholders. In the case of a leased line to any one of the large, prosperous railway properties of the country, there can be little question as to the safety of the investment. In the case of a guaranteed stock the main points necessary to consider are the ability to pay on the part of the lessor company and the value of such leased line to that company. Of course, it is well to ascertain the validity of the contract between the two companies, but under the present ability of expert lawyers to raise legal quibbles over fine points, there seems little reason to suppose that any rich and powerful railway company could not find a means to invalidate any lease which it thought profitable to get rid of, and, therefore, the safety of guaranteed stocks, like many other investments, among other things, depends upon the probable intention on the part of the guarantor to fulfil the obligation. This latter point, however, need not always be given very serious consideration, because, as stated above, stocks bearing the guaranty of our well-established railway properties, as a class, certainly present a minimum of risk to the investor, and it is not well to doubt the intention to pay on the part of the present and future managers of such corporations.

Many of our guaranteed stocks may legally be purchased by savings banks of our Eastern States, and, consequently, command prices which reduce the interest return to within the neighbourhood of 4%. A great many of them are non-taxable when held by citizens of the State in which the roads are located, and, withal, there are so many good features about guaranteed railway stocks that they must be considered as one of our most conservative forms of investment. There are numerous stocks of this class in which the guaranty expires in a comparatively few years. The price at which such stocks sell should be based upon their being worth not over $100 a share at the time of the expiration of the lease or guaranty. In other words, they should be figured for their interest return as a bond which has a fixed date of maturity, unless there is every reason to suppose that, at the expiration of the lease, it will be renewed upon as favourable terms as at present existing. There are some guaranteed railroad shares which now pay dividends at the rate of 6% or over per annum, the leases of which expire at no distant date, and of which, owing to the ability of the lessor company to be in position to dictate terms, it is fair to assume that no renewal will be made which will warrant better than 4% dividends in the future.

There are some large railway corporations which are burdened with the leases of a great many smaller companies, which latter do not return sufficient earnings to warrant the payment of the rental. It is probable that a great many such leases would not be made to-day on the same terms as originally. In some instances they resulted from insiders buying up stocks of small independent companies, selling at low figures, and, after obtaining the control, leasing them to connecting railway lines for a term of years at a high rental. This kind of financing proved very profitable from the increase brought about in the market price of the shares.

The moral side of such an action we will not discuss, but it all has a bearing upon the renewal of such leases after they expire.

"Guaranteed stocks," other than railway issues, must depend for their safety entirely upon the value of the guarantee and the necessity of the guaranteed company to the parent company.

Guarantor. One who promises that the engagement of another shall be performed. See "Guarantee" — in that case the Rutland R. R. Co. is the "guarantor."

Guaranty. In financial matters, "guaranty," or "form of guaranty," usually means the printed or written form, properly signed, upon a security, whereby some party, not originally issuing the security, promises its payment; that is, guarantees the same.

A "guaranty" may not appear upon the bond or stock itself, as explained under "Guaranteed by Indorsement." The form of "guaranty" either appearing upon the security, or set forth in some separate contract, must have careful consideration on the part of the investor. For instance, in the case of a bond, the form of "guaranty" should be such that the guaranteeing company must live up to its guarantee, if necessary to do so, BY PAYING THE SUM CALLED FOR INTO THE HANDS OF THE TRUSTEE OF THE MORTGAGE, so that the coupons will be paid as presented and properly cancelled by the trustee. This is to prevent the guaranteeing company from purchasing the coupons and holding them as a claim against the mortgaged property. A simple wording of a "guaranty" of this kind is as follows: "For value received the Ohio & Florida Railway Co. guarantees and assures the payment of the principal and interest of the foregoing bond at the office of the Penn Trust Co., in the city of Philadelphia, Pa., as and when same respectively come due."

The form above is that part of the form of "guaranty" which compels the guaranteeing company to pay the interest and principal of the bond at the office of the trust company, which is the point it is intended to emphasize here.

Also see that the property guaranteed is of sufficient value in earning capacity and otherwise to the guaranteeing company so that there may never in the future be occasion for the latter to try to evade its liability. In other words, do not purchase a guaranteed security merely because it bears the "guaranty" of some other strong corporation. Ignore such "guaranty" for the time being, and consider the value of the property independently and its value to the guaranteeing company. Faith in guaranteed railway stocks has been somewhat shaken since the Boston & Maine reorganization when the "leased-line stockholders" were induced to accept inferior securities while the Boston & Maine stockholders were not compelled to make any contribution.

Guardian. One legally intrusted with the care of the person, and management of property, of a minor, imbecile, or other person incapable of managing his affairs. Usually appointed by the court, but may sometimes be appointed under a will.

Guilder. The old name for the monetary unit of value in The Netherlands; a coin equal to $.402 United States money. Also called " Gulden," but properly now " Florin."

Gulden. See " Guilder."

Guinea. An old English piece of money which has not been coined since 1813, equal to 21 English shillings or about $5.10 United States money.

Gunning (for) a Stock. At times, when a banking house is known to be carrying an excessive amount of some stock, another broker — or a combination — may use every means to depress its price, and produce a sudden " break," thus being able himself to buy at lower prices. The reverse of the operation may be undertaken to compel those " Short " to " cover."

Gusher. A self-flowing oil well, and one which produces large quantities.

H

Half-Crown. A silver coin of Great Britain, equal in value to about $.608 United States money.

Half-Dime. See " Five-Cent Silver Piece."

Half-Dollar. A silver coin of the United States containing 173.61 grains of fine silver and 19.29 of alloy. " Legal tender " in amounts not in excess of $10.

Half-Eagle. A gold coin of the United States of the value of $5, containing 116.10 grains of fine gold, and 12.90 grains of alloy.

Halfpenny. A small coin of Great Britain, equal to about one cent United States money.

Half-Sovereign. A gold coin of Great Britain, equal in value to 10 shillings, or one-half the English " pound sterling," and to $2.433 United States money.

Half-Stock. Shares with a par value of $50; two shares to equal one with a par value of $100. Pennsylvania R. R. Co., Reading Company, etc. (See " Full Stock.")

Hammond's Time. "At fourteen minutes after two P. M., (on the New York Stock Exchange) the words Hammond's Time used to be printed on the tape, and, shortly after, the lever of the instrument gave fifteen distinct beats.

"At the end of fifteen beats it is 2h. 15m. P. M., and the close of the recognized settlement time for transactions of the Exchange."[1]

This is frequently referred to as "time," but the full name is derived from a watchmaker by the name of Hammond who furnishes official time to the Stock Exchange.

Hard Coalers. Railroad companies, the earnings of which are very largely dependent upon the transportation of anthracite coal, including such roads as the Delaware & Hudson, the Delaware, Lackawanna & Western, the Lehigh Valley, etc.

Harden. To advance in price. "The market hardened;" a general advance in prices.

Hard Money. Metallic money; not paper money.

Hard Spot in the Market. Good strength caused by strong and active buying.

Harriman Interests (or Lines). E. H. Harriman practically controlled the Union Pacific, Southern Pacific, and the San Pedro, Los Angeles and Salt Lake R. R. Companies. He had a very large influence, amounting virtually to control, in the Illinois Central, the Central of Georgia, Baltimore & Ohio, and the St. Joseph and Grand Island Railway Companies. Besides all these, he had a large influence in such roads as the Atchison, Topeka & Santa Fé, the New York Central & Hudson River, and the Chicago & Alton Railway Companies.

Hawaiian Island Bonds. Issued under authority of Congress, but the obligation of the Hawaiian Islands, and not of the United States Government. The Congress has exempted from taxation the "Fire Claim 4's," so-called, which were issued to reimburse the owners of property destroyed at the time of the bubonic plague at Hawaii. The question has been raised, however, whether the rest of the Hawaiian issues are tax-exempt in the United States. A legal opinion has been rendered which indicates that such is probably the case.

Hawley Lines (or Roads). What were commonly known as the "Hawley Lines" include the following: Chesapeake and Ohio; Chicago, Cincinnati and Louisville; Chicago and Alton; Des Moines and Fort Dodge; Hocking Valley; Iowa Central; Minneapolis and St. Louis; Missouri, Kansas and

[1] It is now printed "Delivery Time."

Texas; Toledo and Ohio Central; Toledo, St. Louis and Western.

Heavy. "The market was heavy on profit taking;" meaning that prices had advanced sufficiently to tempt people to sell their securities; enough to cause a decline in prices, for, in order to find a market for the amount of securities offered, lower prices had to be made to induce purchasing. On account of this lowering in prices the market is called "Heavy."

Hedge. To buy or sell in order to lessen an anticipated loss. An illustration would be in the case of one's having purchased 1,000 shares of stock in anticipation of a rise, instead of which the stock actually declines, with indications of still greater decline. The owner of the thousand shares of stock sells all his holdings and then goes "short" (see "Selling Short") another thousand shares, hoping thereby to profit sufficiently to make up his loss already sustained and possibly something besides. Also, to buy one stock and sell short another at the same time.

High Finance. A typical example of what is understood by this term would be: such jugglery with other people's money as has been disclosed in the life insurance company scandals.

A writer, referring to a prominent man who has become rich through rather unsavoury methods, says: "After his first coup he forsakes for ever the cold arithmetic of commerce for the rule of guess, dream, hope, and 'I will,' which constitute the mathematics of 'high finance.'"

Hill Roads. James G. Hill had a predominating influence in the management of the Gt. Northern Ry. Co., and the Northern Pacific Ry. Co. These two control the Chicago, Burlington & Quincy R. R., and the latter controls the Colorado & Southern Ry. Co.

Hoarding Money. To hide it in secret places.

Hocking Valley. The Hocking Valley Railway Co. Successor to the Columbus, Hocking Valley & Toledo Railway Co.

Holder in Due Course. The holder of an instrument other than the one to whom it was originally given, when obtained in the due course of business and in a legal way. The rights of a "holder in due course" are quite complex, but, in brief, such a holder of an instrument possesses the same free from any defect of title of prior parties, and holds the same free from defences available for such parties among themselves, and may enforce payment of the instrument for the full amount thereof against all parties liable thereon.

The Statutes of Michigan say that: "A holder in due course is a holder who has taken the instrument under the following conditions:

"First, That it is complete and regular upon its face.

"Second, That he became the holder of it before it was overdue, and without notice that it had been previously dishonoured, if such was the fact.

"Third, That he took it in good faith and for value.

"Fourth, That at the time it was negotiated to him he had no notice of any infirmity in the instrument or defect in the title of the person negotiating it."[1]

Holding Company. Formed for the especial purpose of holding or owning the shares of another company or other companies; an arrangement whereby financial combinations may indirectly control operating companies through ownership of their capital stocks. A good example is that of the old Amalgamated Copper Co., which was a "finance company," so-called, controlling the stocks of certain operating copper companies.

This is generally done to circumvent the law, and thus bring about indirectly the virtual consolidation of two or more companies, when to do so directly would be illegal; or where it may be impossible to bring about an actual consolidation by the acquisition of all the outstanding stock.[2] The "sub-companies"[3] — as the several corporations thus brought together are termed — maintain their individual existence as before, but the officials managing the same are appointed by the "holding company." This latter is incorporated under the laws of some such State as New Jersey, Maine, or West Virginia, which has enacted laws to attract such corporations. The Northern Securities Corporation, brought into existence under the laws of the first named State, is one of the most colossal examples of the kind yet attempted. In this case it was desired to consolidate certain railways; the laws of some of the States, crossed by the roads, prohibited the consolidation of parallel or competing lines. It was held that these were such, and, therefore, to get around this, another corporation was formed in New Jersey and its shares issued in exchange for the shares of the railways in question. However, this has been held to be illegal by the Supreme Court of

[1] Act 265, P. A. 1905.

[2] The "holding company" might succeed in acquiring the total capitalization of another corporation, dissolve it, and take actual possession of the property represented. It is possible also for a "holding company" to acquire possession of an unincorporated business, but it is almost entirely for the acquisition of stocks of other companies that a "holding company" is created.

[3] Subsidiary companies.

the United States, and the stocks so taken in exchange were ordered distributed among whom the Court, in its decision, conceived to be the proper owners. (See foot-note to "Merger.")

Always beware of the financial statement of a holding company but insist on receiving a consolidated statement showing the condition of all the companies combined.

A "holding company" may or may not result in good. In general, the principle is wrong if on a large scale, as it naturally results in stock watering, and concentrates control. It brings about unhealthful stock gambling and stifles competition. Efforts have been made in at least one State Legislature to limit to a comparatively small sum the amount of the capital stock of one company which may be held by another, thus preventing the obtaining of control in this way.

Holding the Market. Buying, as offered, enough of the security in question to prevent its decline in price.

Home Rails. Used in Great Britain to denote securities of railways in the British Isles, but, in general, would indicate the railway securities of the country wherein the term is used.

Honour. To pay. A draft is "honoured" when it is paid upon presentation, if it is a "sight draft," and "honoured" when "accepted" if a "time draft."

House of Issue. A banking house which has the selling of a given issue of securities.

How to Keep a Bank (or Trust Company) Account. See "Bank Account."

How to Open a Savings Bank Account. Although requirements of banks in the various sections of the country differ somewhat as to receiving deposits, yet the mode of procedure as stipulated by one of the large metropolitan institutions is complete enough to cover, in a general way, all cases.

On entering the bank, the intending depositor will be asked by an employee whether a new deposit is contemplated, as upon the latter depends the colour of the printed blank which he will take and make entry of the amount thereon. This slip, together with your money, you will take to the "receiving teller's" window, being careful not to fold either the slip or the bank bills, if any. The latter should be laid out flat, all facing one way. If you deposit checks, write your name on the back of each, regarding which see "Indorse" and "Indorse for Deposit." Remember that the bank does not agree to accept checks, and accepts them only for collection for the account of the depositor. It is better for the depositor to have his checks converted into cash before entering the bank.

The "receiving teller" will ask you to sign your name in what is known as a "signature book," and will ask certain questions, such as your address, name of father and mother, and date of birth. He will also hand you a card, upon which you will also sign your name, this card containing blanks to be filled out with similar information to that which was entered in the "signature book." Some banks require other information than the above, such as place of residence, post-office address, occupation, name of husband or wife, if married, etc.

The teller will then enter the amount of your deposit in what is called a "pass-book" or "deposit-book," and hand the same to you. See that his entry agrees with the amount of your deposit, and the matter is closed so far as making a new deposit is concerned.

In making additional deposits, and stating your intent so to do to the employee above referred to, he will take a different blank (ticket), and enter thereon the number of your pass-book, your name as it appears on such book, your present address, and the amount of your deposit. Again, you should be careful not to fold the bills or ticket, laying the former out straight and all facing one way. The ticket, your money, and your pass-book, you will take to the receiving teller, who will make the entry in your book and return the same to you. Again, and at all times, verify the amount of his entry. If you are to deposit checks, the same instructions as already given in relation to them applies.

In case deposits are to be made by mail, write a letter giving the same information as provided in the deposit ticket, enclose with your "pass-book" and deposit, and send, preferably, by registered mail.

At all times sign your name exactly as appears on the "signature book" in the bank. If it is given there as "Maria Jones," do not sign your letter otherwise, as, for instance, "Mrs. James T. Jones." Be explicit in giving the proper address for the return of the "pass-book."

As to withdrawals: You will present your "pass-book" at the "paying teller's" window, who will identify you by your signature, which he will verify with the one upon the signature card. If the amount exceeds $100, he will ask you questions, and your replies must agree with the information entered on the card as regards your father's name, mother's name, etc. You will sign a receipt for the money, the withdrawal of which will be entered upon your "pass-book" and then you will depart.

If it is desirable to withdraw money by mail, you will find at the back of most "pass-books" a form of order which you may copy and fill out and forward to the bank, accompanied by your "pass-book," at all times following instructions regarding signature and precise address, as suggested above.

Whether making deposits or withdrawals, one should acquaint himself with the rule of the particular bank with which he is doing business in relation to when deposits begin to draw interest or when interest may be sacrificed by a too early withdrawal. In some savings banks deposits begin to draw interest only from some stated day each three months; in others, every month, and so on. Therefore, any money deposited on the 25th day of January might not begin to draw interest until the first day of April. In making withdrawals, interest may be sacrificed. That is to say, any money withdrawn previous to a certain date — in accordance with the above illustration we will suppose it to be withdrawn sometime previous to the first of April — interest would be lost on that amount of money from the first of January up to the date of withdrawal.

Most institutions require that the money shall have been on deposit a certain length of time, say three months, in order to be entitled to any interest whatsoever.

Parents occasionally wish to make a deposit in the name of a young child. The best way to do this so that the money can be withdrawn without trouble is to have the deposit made in the names of both the child and one of the parents, as follows: "John Black or Clara Black;" this will permit John, the father, withdrawing the money at any time.[1]

[1] In many of our cities there is a mixed foreign population, and savings banks so located have to consider this fact, which is best set forth by a letter from W. S. Tibbets, of Somersworth, N. H.:

"I am afraid the present custom of this bank in regard to deposits and withdrawals will not be representative of the State banks, as we have so mixed a population. I try to make the act as simple as is consistent with safety. After talking pigeon English with John Jones of Russia, Sweden, Turkey, Armenia, Italy, Greece, or Canada, and coming to the conclusion that he has some money that he wishes to place in the bank, I take what we call a signature book headed 'I hereby agree to the by-laws of the Somersworth Savings Bank.' I enter in this the number of the deposit book I intend to issue; then pass him the book and request him to sign his name after the number, and then to write the town or city where he lives on the same line; then select a card and enter his name and town; then pass him the card and request him to write in the answers to the questions. While he is doing that I make out a ledger card and deposit book numbered the same; pass him the deposit book; place the ledger card and identification or index card in a drawer to be checked back and accounted for after business hours.

"When we receive the deposit by mail, which is a frequent occurrence now, I enter the name and address 'by W. S. Tibbets, Treas.,' on the signature book, and after the name I write 'by mail.' Then enclose the card with the deposit book by registered mail, requesting him to sign his name and fill out the questions and return card by mail to bank. Until the card is returned we keep a blank card with name and number.

How to open a Trust Company Account. See "Trust Company Account."

Hung Up. To own anything undesirable; something which either cannot be disposed of at all, or without loss.

Hydro-Electric Securities. See "Power Company Bonds."

Hypothecate. To place on deposit collateral security; stocks, bonds, etc., as a pledge for a loan.

I

I. C. C. Interstate Commerce Commission.

Ice. American Ice Securities Co.

Illinois Central. Illinois Central R. R. Co.

Immediate Shipment. A Chicago Board of Trade term, calling for shipment within three business days.

IMP. The "ticker" abbreviation for "improvement."

Imperial Bank of Germany. See "Bank of Germany."

Import Point of Gold. See "Gold Import Point."

Improvement. See "Betterment."

Improvement Bond. See next subject.

Improvement Mortgage Bonds. A "junior mortgage" is usually understood. An "improvement mortgage" secures an issue of bonds necessitated in order to provide funds for improvements, additions, betterments, etc., to a property. As in the case of a "general mortgage bond," it is customary to make the authorized issue large enough to also provide for future improvements when needed, and to replace earlier mortgage bonds as they mature or can be paid off. Their investment value depends not only upon the credit standing of the company, but upon the amount of bonds whose claims must be satisfied first, the character of the improvements for which issued, etc. Consider them from the standpoint of at least a "second" and probably a "third mortgage bond."

An issue of this class is that of the Denver and Rio Grande R. R. Co. Gold 5's, brought out to provide means for laying a third rail to broaden the narrow-gauge road to standard gauge and for other improvements.

"Street improvement," and "public improvement" bonds, among the municipal issues, are often referred to as "improvement bonds."

"In case the person cannot write his name I write it for him 'by W. S. Tibbets, Treas.,' and let him make a cross over it.

"In case of deposits by an executor, administrator, guardian, or one person for another, after he enters the name in the signature book he writes 'by' and affixes his signature, and then fills out the card for the other person."

IN. The "ticker" abbreviation for "income."

Inactive Account. A bank account against which very few checks are drawn and at infrequent intervals, and to the credit of which deposits are not often made; or an account with a broker which shows infrequent purchases and sales on the part of the customer.

Inactive Market. When sales are growing less in volume and transactions are few and for small amounts.

Inactive Stocks or Bonds. Securities which are bought and sold only at infrequent intervals; seldom quoted; difficult for the public at large to ascertain the market value of. There are brokers, or bankers, in nearly every important city who make a business of dealing in inactive securities in general, or are specialists in regard to certain ones. (See "Active Stocks or Bonds.")

In and Out. A speculation of short duration, as a purchase of a certain stock followed by a quick sale of the same.

In-Clearer. The English term for a bank clerk who enters in the bank's clearing books at the "clearing-house" the items against his bank as received, and who determines the "clearing-house balance" for his bank. This term distinguishes him from the "out-clearer," who is the clerk at the bank making similar records of items against other banks for collection. (See subjects in quotations.)

Income. The income of an individual is generally supposed to be the money returned to him yearly from his investments; the interest return from his stocks, bonds, mortgages, real estate, etc. Of course, the meaning can be extended to include profits from a business, or gains of all kinds, and such is the usual dictionary meaning; but in finance there has been a general tendency to mean only the return from money invested outside of one's direct business, if he has any. The income from a stock arises from profits of the corporation, and is divided among the stockholders in the form of dividends, and may vary from time to time.

The income from bonds and mortgages is generally a fixed amount and is called interest.[1]

[1] Edwin A. Howes, Jr., raises this point, which is well to bear in mind: "Income of property consists of the proceeds of what the property produces, the profit which comes from its use in business, or what is paid for its use by another than its owner. Principal, or capital, is the property itself. The absolute owner of the property is likely to treat as income, not only the earnings of the principal property, but all increase which comes from an increase in the value of the property itself, treating as principal what he paid for the property, and as income all excess over the original investment. A person entitled to the use or income of property, or a trustee whose duty it is to pay income to one person or set of persons, hold-

Income Basis (or Return). See "Net Return upon the Investment."

Income Bonds. There is in effect little difference between "income bonds" and "preferred stock," except that upon the former the interest is expected to be paid if earned. The management may decide otherwise, however. Such a bond is usually secured by a pledge of the net earnings of the corporation after payment of interest and sinking fund, if any, upon all indebtedness having a prior claim. An "income bond" may be "cumulative;" that is, if the earnings in any one year do not suffice to pay the interest, the sum lacking is carried forward into following years until paid in full. Also called "Preferred Bonds," or "Preference Income Bonds," if having some preference rights over other issues. They are sometimes redeemed by "sinking funds" and in some instances acquire mortgage rights if interest is unpaid, or if principal is unpaid at maturity. In the case of there being no mortgage rights, "income bonds" are often known as "debenture incomes." If they carry the convertible feature, as set forth under "Convertible Bond," they are termed "convertible incomes."

A bond issue of this nature may have a detrimental effect upon the value of all stocks of a company, as it lessens the likelihood of dividends upon the same.

This is not an investment class of securities. Too much depends upon the board of directors.

Inconvertible Paper Money. Money for which there has not been provided satisfactory, if any, arrangements for its conversion into standard money. This is also referred to as "irredeemable paper money."

Incorporate. See "Corporation."

Indenture. This is generally understood to be a contract, an agreement under seal, or a deed between two or several parties. The name arises from a custom of drawing a deed with the edge indented for identification and greater security. Blackstone says: "If a deed be made by more parties than one, there ought to be regularly as many copies of it as there are parties, and each should be cut or indented . . . on the top or side, to tally or correspond with the others; which deed, so made, is called an indenture." [1]

Independent Telephone Companies. See "Telephone Securities."

ing the principal for others, must be more careful to distinguish between real income and increase which comes from an increase in the value of the property." — *The American Law Relating to Income and Principal.*

[1] Blackstone's Commentaries.

India Council Bills. See " Council Drafts."

India Council Drafts. See " Council Drafts."

India, Money of. See " Rupee."

India Rupee Paper. See " Rupee Paper."

Indirect Exchange. Same process as explained under " Triangular Operation."

Individual Deposits. The " bank statement " is frequently tabulated in such form as to subdivide the deposits. " Individual deposits," therefore, would have reference to all deposits other than by banks and trust companies, United States Government, or from the banks' agents. It would include deposits of firms, individuals, corporations in general, private bankers, etc.

Indorse. The person to whom a check, note, or draft is made payable is called the " payee." If the payee wishes to make the check (note or draft) good in the hands of some one else, he writes his name across the back of the check, in accordance with the wording as filled in upon the face. This is called " indorsing." For instance, a check made payable to John J. Smith upon the face, should be signed by him across the back, " John J. Smith," not " John Smith." If it is an error and his name should really be John Smith without the middle letter " J," and it is not convenient to get a new check issued in correct form, he may sign his correct name also under " John J. Smith," thus signing both, although, of course, this latter method may not be asked for by the party about to receive the check. He should demand this, for, when he in turn indorses it, he guarantees all previous indorsements and, in case the check proves worthless and recourse is taken against John Smith, it may simplify matters that Smith be given no opportunity to set up the defence that it was not his legal signature. Again, if a check should be drawn to Mrs. John Smith she should indorse it that way, and then under it her legal name, Susan Smith.

If a check is presented for payment and there is no money on deposit to meet the same, the check having passed through the hands of several different people, each in turn indorsing it, the last holder, who presents it to the bank for payment, may fall back upon any previous indorser he sees fit. It is not necessary for him to take legal action against the last signer, and so on back in reverse order of the indorsements. In indorsing a check remember that unless the indorser adds the words " without recourse " he may be held liable for the amount of the check. This, as set forth under " Without Recourse," does not imply that the condition may be generally made use of. (See that subject, as well as " Check.")

All that is said above in regard to a "check" applies with equal force to notes, and all such papers that pass by "indorsement."

When one or more persons "indorse" a note, thus becoming liable for its payment, in the case of failure on the part of the "maker" to meet it, they assume liability for the note only as originally made and no holder can recover from the "indorsers," provided the former allows any change in the note's original terms. For instance, suppose a note falls due and the holder renews it; that is extends the time of payment without permission of the indorser; by this act the latter would be relieved of all liability. A holder of a note with indorsements must present it for payment upon the day of its maturity, for failure so to do relieves the indorsers of all liability. Although the holder of a note may have received collaterals from the maker, he is under no obligation to proceed on the collateral before suing the indorser.

In "indorsing" a check, hold it face upwards, and observe the left-hand end as it then lies; turn it over and make the "indorsement" on the back across that end. This is not obligatory, but makes it much more convenient for the handling by bank clerks, and others.

In indorsing a check, note, etc., making it payable to John Smith, for instance, use the wording: "Pay to the order of John Smith." This will enable John Smith to again "indorse" it and pass it on from hand to hand, that is, make it negotiable.

Occasion sometimes arises when one person wishes to deposit a check to the credit of another, the check being payable to the latter, but it not being convenient to get his indorsement. To illustrate: A banking house — James Crow & Co. — may wish to pay Paul Jones $1,000 on account of collections made, or for other reasons. Instead of sending the check to Paul Jones, they may have received instructions to deposit it in his bank to his credit. The following is a complete wording that banks may require: "Pay to the order of ——— Bank, for the credit of Paul Jones, by James Crow & Co., Attorney." In practice, however, banks usually take checks with the simple indorsement, "Paul Jones, by James Crow & Co.," or simply "Deposited for the credit of Paul Jones," but the first is technically correct; and, in such a case, the bank does not require that James Crow & Co. shall hold the actual power of attorney for indorsement, but they accept them as attorneys for the occasion without any evidence of authority, but this is done at the risk of the bank.

On any checks issued by the United States Treasury at Washington, the last indorsement, that is, the indorsement of the one presenting for collection, must be in hand-writing, as a stamped indorsement, such as is frequently used, is not then permissible.

An indorsement in law is considered a written contract, the terms of which, though commonly omitted for the sake of convenience, are, nevertheless, definite and fixed; none the less understood because not expressed in words. Although this is almost a universal rule, there are a few States which regard the signature of an indorser simply as evidence of his having entered into a contract, and will accept testimony as to any verbal agreements which may modify the implied contract.[1]

Indorsed Bonds. The New York Stock Exchange rules provide that "Coupon Bonds issued to Bearer, having an indorsement upon them not properly pertaining to them as a security, must be sold specifically as 'Indorsed Bonds,' and are not a delivery, except as 'Indorsed Bonds.'"

An example of a bond which comes under this heading is one upon which some person's name has been indelibly written.

An instance is related of the treasurer of a savings institution who, in his spare moments, wrote across each of their bonds words to the effect that it was the property of the institution in question. In making a sale, through a stock exchange member, of bonds of a New England railroad, being part of an issue seldom traded in, and consequently offered at very infrequent intervals upon the market, the treasurer of this institution found himself in trouble when he came to make delivery, as the broker would not accept bonds with the institution's name indorsed upon them. The natural course would have been to purchase other like bonds in the open market in order to make the delivery good, the loss, if any, in the transaction, to be borne by the institution. In this case, however, the bonds were of such a rare issue that this was impossible and a compromise had to be effected with the purchasing party by selling the bonds at a lesser price as "indorsed bonds."

In reply to the query why the railroad company would not issue new securities in their place, it may be said from the standpoint of the company that the bonds were perfectly good. They might have been converted into "registered bonds" if privilege of registration had existed. The broker might not have accepted registered bonds, however.

It is a safe plan never to deface a security in any way. If

[1] Those desiring to follow this subject further may refer to "Joint Indorsemement," "Absolute Indorsement," "Conditional Indorsement," "Restrictive Indorsement," "Indorsement in Full," "Indorsement in Blank," "Qualified Indorsement," "Joint Indorsement," "Without Recourse," and "Protest."

any memorandum or other writing is necessary, **write it on a** separate piece of paper and attach it to the security.

Indorsed Paper. See "Two-name Paper."

Indorsee. The party indorsing a paper, by such act, must assign or transfer certain rights therein to another called the "indorsee," *i. e.* the person to whom a check, note, etc., is indorsed, or made payable by assignment; the one who acquires the rights conveyed by the indorsing of any negotiable instrument. If a check is made payable to Henry Poor, and he writes across the back, "Pay to the order of Paul Jones," and then signs his own name below, Paul Jones acquires the right to collect the check and becomes the "indorsee."

Indorse for Deposit. Supposing the reader to have already familiarized himself with the matter under "Indorse," it is only necessary to add here the simple bank rules for indorsing checks, etc., for deposit. The simplest form is: "Pay to the Fisherman's National Bank or order" for example; and then the depositor signs his name immediately below. (The reader's attention is particularly called to the next to the last paragraph under "Indorse.")

Indorsement. The indorser's act of writing, or the writing itself. (See "Indorser.")

Indorsement in Blank. An instrument with simply the name of the indorser written upon its back. This makes it good in the hands of any legitimate holder. The holder of such a paper may make it payable to himself or to whomsoever he chooses by writing the name directly above the indorsement.

Indorsement in Full. An instrument with not only the name of the indorser written upon its back, but following directly under the name of the party to whom it is indorsed for payment.

Indorser. A person who indorses a check, note, etc.; that is, writes his name across the back and by this act becomes liable for its payment. (See "Without Recourse," and "Indorse.")

Indorser for Value. The opposite to an "accommodation indorser" (see "Accommodation Paper"); one who receives consideration for his indorsement.

Industrial Insurance. This differs in no essential particular from the ordinary life insurance. It consists of insurance for small amounts among those who cannot, or do not wish to, afford so large a policy as, say $1,000, and who prefer to pay the premium weekly in small sums. This method of insurance is expensive — the cost being nearly double that of the ordinary kind — and is open to the criticism, by many, of encouraging the placing of insurance upon the lives of children and infants, which, among the very poor, especially, is obviously objectionable. At the same time, it is not fair to condemn in its entirety this form of insurance, for there must be many cases where a burial fund is provided, which is of great help and comfort to the parents.

Industrials. See " Industrial Securities."

Industrial Securities. Securities issued by manufacturing companies. There has, perhaps, been no class of securities which has attracted greater attention the last few years than " industrials," so-called, and there is no class, perhaps, less established in the minds of the public as to its permanent value, as is evidenced by the fact that stocks and bonds of such corporations can be purchased at prices to pay very large returns upon the money.

During the great World war, when the earnings of our industrials increased enormously, an unusual opportunity arose for new financing in the form of "convertible" issues. Based upon prospective values for the common stocks, into which the senior issues were made convertible, the privilege seemed likely to be a valuable one; thus the way for necessary financing was made the easier.

The larger " industrials " result from the consolidation of several concerns which had previously been in the same line of manufacturing; theoretically, so that the business of the whole may be administered to the best advantage of all; deliverance from competitive sacrifices, with the large profits which concentrated management assures. Bonds have not as yet been issued upon " industrial " properties, in proportion to their total valuation,to such an extent as upon railways. This, perhaps, arises from the uncertainty as to the foreclosure value of an " industrial " property. There is no great value attached to such a plant for right of way or for franchise, as in the case of a railway, nor do such plants, as a rule, occupy strategic positions which give them great added value. The value of these concerns depends very largely upon their successful conduct, and, in case of the sale at foreclosure of a manufacturing plant, it frequently brings but a small price because its buildings and machinery have a comparatively low value unless in successful operation.

The assets of the new " industrials," against which stocks and bonds may be issued, should be carefully considered. The plant and machinery may be almost valueless for any other purpose. Good-will and patents are also often reckoned as assets, but such have very little value except so long as the corporation is prosperous. The good-will of a bankrupt company would sell for but very little money at foreclosure. One corporation has eliminated the good-will from its accounts, thereby reducing its total assets about $5,000,000. (See "Good-will.")

The "industrials" are very largely speculative investments, and until they have been through a long period of business depression, as have already our railroads, it will be impossible to determine their permanent investment value. They yield more than railroad securities as the risk is greater. The hard times of the middle "nineties" resulted in a large percentage of the railway mileage of this country going into the hands of receivers and through a process of reorganization, which, in most cases, was radical enough, when followed by the period of expansion and industrial activity, to place them upon a permanent footing. The newer "industrials" must, therefore, go through a similar period before they can be classed as seasoned investments. Those that weather such storms in financial safety may then, as a class, be selected as good investments and should, after such a period, sell at prices commensurate with that belief.

It will be seen that the real value of an "industrial" very largely depends upon the permanent successful conduct of its business and a definite understanding of its earning capacity. The class of commodities produced deserves serious consideration; that is, the value of such a product to the community at large and the necessity for the continued operation of the plant, and to what extent, either through control of raw materials, or otherwise, the company can control its particular line of business.

To go into the matter further requires a knowledge of whether or not a reduction of expenses has been accomplished by consolidation, and an increase of earnings effected for a like reason. Is the company carrying a "floating indebtedness"; and, if so, the reason therefor? Are proper charges being made for depreciation and altogether a conservative system of bookkeeping being pursued so that the dividends are warranted? It is very easy to be misled by the manner in which the books of any corporation are kept, but the keeping of the books of an industrial concern offers especial opportunities for deceiving the public. Corporations of this kind should not, on the average, from year to year, divide among their stockholders more than about 50 to 70% of the net earnings; the balance going into permanent improvements, or reserved as surplus.

The dividend record should be studied as far back as possible. A good record in this way is an argument in favour of bond security. In considering common stocks beware of "overcapitalization."

The fact, also, that orders are in hand for the full capacity of the plant for months ahead is not necessarily conclusive, for past experience has shown that in times of sudden widespread financial and business disaster, consumers have had no scruples about cancelling contracts, and it has not in the past proved worth the while to try to enforce the same to any great extent.

During seasons of great prosperity, such as began with the World war, already referred to, many new "industrials" come into prominence. The conservative investor should test them out through a period of depression before placing too much faith in a continuance of anything like the favourable earnings of the moment; but this rule need not apply to all, as many industrials have shown even larger earnings since the World War.

The preferred stock of new corporations has usually equalled the value of the property above the bonds, plus the necessary working capital, leaving the common stock to obtain its value from economies in operation expected to result from centralized management.

For many reasons "industrial" shares and bonds are more subject to manipulation than most railway securities.

In general, stocks of industrial corporations may be said to be business men's risks. After making a careful study of all the factors, management, earning power, assets, general trend of the market, etc., the investor should invest a portion of his funds in this class of securities.

In Exchange. See "Payable in Exchange."

Inflate. Prices are "inflated" when securities are selling for much more than they are intrinsically worth. To "inflate:" to swell up; to puff up with gas like a balloon; there is no solid substance inside and when the gas is let out the thing will collapse. The same practical end is apt to result from an "inflated" market.

In Funds. Having money for the purpose required.

Inheritance Tax. A State tax imposed upon property inherited, not a tax collectible from year to year like city taxes, but collectible only once — at the time of the inheritance of the property — and payable to the State only.

In those States which have established an "inheritance tax," executors and administrators should, upon assuming the duties of their office, look into this matter immediately, and the statutes should be carefully studied or competent legal advice taken regarding the matter. Taxes of this nature are of two kinds: the "direct inheritance" and the "collateral inheritance tax."

The first is a tax upon property descending directly to a child or other lineal descendant or to very near relations, such as a mother, father, husband, brother, or wife.

The second taxes all inheritances other than those above.

The "collateral inheritance tax" is in force in most of our States, and the "direct inheritance tax" is in force in England and is being rapidly adopted in this country.

In most cases, legacies to charitable, educational, or religious institutions within the State imposing the tax are exempted. This tax is usually a graduated one, increasing with the amount of property inherited and with the distance in relationship.

The foregoing must not be taken as the actual law of any State, but only an example of the general intent of such laws.

Inland Exchange. See "Exchange."

Inner Belt. See "Belt Lines."

Inside Broker. See "London Stock Exchange Transactions."

Insider. Perhaps a good definition of the word "insider" may be obtained by reading the subject matter under the heading "Fleece." The "insiders" are those who have knowledge of the financial and business affairs of a corporation, or of any enterprise, and are in a position, therefore, to act in an intelligent manner regarding the securities of such corporation. Another, perhaps very common meaning of "insider," is one who participates in the financial scheme, or plan, of an issue of securities, and, as a consequence, obtains special profits not obtainable by others.

Inside Tip. Information given in a secretive way by one having to do with the control or management of a corporation, purporting to show the true condition of the securities of the concern in question.

In Sight. Grain, coffee, cotton, or any commodity available for immediate use.

Insolvency. The inability to pay one's debts as they become due.

Insolvent. One is insolvent when he has not sufficient money or property to pay all debts.

Inspector of Finance. Same as Bank Commissioner.

Inst. Instalment.

Instalment. Securities are often sold conditionally upon certain proportion of the purchase price being paid at the time of purchase, and the balance being made payable in certain amounts at stated intervals, until the full amount is paid. Such payments are called "instalments."

Insufficient Funds. When stamped upon a check returned from the bank at which it is payable it indicates that the "drawer" has some but not sufficient money to his credit to meet its payment.

Int. Short for "interest."

Interborough. Interborough Rapid Transit Co. (Subway System of New York City.)

Intercepting Sewer Bonds. In some cities where the cost of the sewers is borne by the owners of the abutting property especially benefited by each particular sewer, there is a certain proportion of the whole system for which it is deemed proper that the municipality at large should be responsible, and, in such cases, the town or city itself may issue bonds for such a purpose bearing the above title.

Interchangeable Bonds. After understanding the difference between a "registered" and a "coupon bond" by referring to those subjects, it will be clear that "interchangeable bonds" are those which are changeable from "coupon" to "registered," and back again from "registered" to "coupon," at the request of the holder. Many issues, the bonds of which have once been converted into a registered form, may not again be issued as "coupon bonds."

Interest. The charge made and which the borrower pays for the use of money,[1] usually expressed in percentage based on a year, *i. e.* if $3 is paid for the use of $100 for six months, it is an equivalent to $6 for one year, and is expressed as "6 per cent.," or "6%." Money, like any other commodity, has a value and payment must be made for its rental, or use.

The matter of figuring interest is an arithmetical one hardly necessary to treat of here, but there are several methods of computing the time for which interest is figured, which it is well to understand.

In the United States interest on bonds and other interest bearing obligations, with a maturity longer than six months, is figured by months and days on the basis of 360 days per annum. This method is used in Stock Exchange transactions and by investment bankers generally. The accrued interest on bonds having an interest maturity other than the first day of a calendar month is computed according to the custom and rule of the stock exchanges of both New York and Boston, as follows:

'Interest at the rate specified in an Interest Paying Bond must be computed on a basis of a 360-day year, i.e.:

'Every calendar month is 1/12 of 360 days — 30 days.

[1] For the purpose of this definition it is not necessary to distinguish between capital and money.

Every period from a date in one month to the same date in the following month is 30 days.'

"The following example may make the application clearer: Taking the United States Liberty 1st $3\frac{1}{2}$s with December 15th coupon, a delivery on December 16 would carry one day; on December 30, 15 days; on December 31, 16 days; on January 1, 16 days; on January 15, one month; January 16, one month and one day; January 31, one month and 16 days; on February 1, one month and 16 days; February 15, two months; February 28, two months and 13 days, (February 29, two months and 14 days). On March 1, two months and 15 days."

Interest on bonds and notes, with a maturity of less than six months, is figured for the actual number of days the securities have to run and the amount of interest for that number of days computed on the basis of 360 days per annum. If the coupon maturities on such a short bond are January 1 and July 1, the accrued interest on March 1st on a 6% bond will be 59/180 of $30 or $9.833.

In the case of United States Treasury Notes and Certificates of Indebtedness it is the established practice to compute interest by finding, first, the exact number of days in the particular group of months in the interest period, divide the coupon by this exact number of days to determine interest for one day, then multiply this interest for one day by the exact number of days for which interest has accrued, to get the amount of interest on the particular issue of Certificates concerned in the transaction. In a case of the Certificates of Indebtedness where the interest period is longer than six months, interest is figured on the basis of 365 days in the year, in other words, the interest for one day is found by dividing the interest for one year by 365.

In computing the number of days for which interest accrues, the day on which the loan is made is not included, thus, interest for 7 days is due on a loan made on July 7 and paid July 14. July 7 is not included.

In Canada and Great Britain the customary method is to compute interest on the 365-day basis and interest is figured for the exact number of days. For a period less than six months accrued interest is computed by first finding the exact number of days to maturity and then figuring the amount of interest for that number of days from an Interest Table computed on the basis of 365 days per annum; thus, accrued interest on a 5% bond for 93 days would be 93/365 of $50 or $12.739.

Midnight ends the legal day; any loan of money through the midnight hour calls for one day's interest; for illustration, a loan at 5 P.M. on July 5th and repaid early in the morning on July 6th, would be reckoned as one day.

Interest Accrued. See "Accrued Interest."

Interest Added. See "Accrued Interest."

Interest-Bearing. Securities which bear interest.

Interest on Daily Balances. See "Daily Balances."

Interest Payable Annually. See "Annual Interest."

Interest Payable Quarterly. See "Quarterly Interest."

Interest Payable Semi-Annually. See "Semi-Annual Interest."

Interest to Follow. Payable at maturity. A most common use of this term is in connection with money borrowed for a comparatively short time, generally not exceeding six months. Suppose, for example, that A borrows $100 from B at 5%, "interest to follow," the note payable six months from its date. It would mean that B would not receive interest on the loan until the expiration of the six months. (See "Discount.")

Interest Warrant. See next to last paragraph of "Warrant."

Interim Certificate. A temporary certificate issued to the purchaser of a given security until the properly engraved, lithographed or printed security can be issued to take its place. They are often issued by the corporation itself but more frequently by some trust company.

Interior Banks. Probably a correct definition of "interior banks" is: all banks of this country located without the City of New York. That there is some hesitation on the part of those best posted on such matters, is evidenced by this quotation from a letter bearing upon the subject from Mr. F. A. Vanderlip: "The term is, of course, very evidently not a well-considered one, and it may seem a little incongruous to suggest that a bank located on the New England seaboard should be called an 'interior bank.' It seems to me the term is understood in financial circles to mean those banks which treat New York as a 'reserve centre,' and that necessarily includes all other banks of the country. The banks of the other two 'central reserve cities' are really 'interior banks' in this sense also."

Interior Cotton Receipts. The weekly gross receipts of cotton at the principal interior cities, such as Houston, Tex., Memphis, Tenn., Augusta, Ga., St. Louis, Mo., Cincinnati, O., etc.

Internal Loan. An issue of bonds placed among investors in the country by which issued.

International Checks. These are for the convenience of travellers who desire something more in the nature of actual bank notes than "letters of credit." They are issued in sums of £5, £10 and £20;[1] identify the holder by his signature; are accepted by the agents of the issuing banker without regard to the rate of exchange, the check stating on its face its value in the currencies of the important countries of Europe. In case of loss the check is of no value to other than the person in whose name issued. The charge made for these is about ½% of the face value.

International Exchange. See "Exchange."

International Movement of Gold. This is too intricate and complex a subject of which to attempt an exhaustive explanation within the necessary limitations of this work. Some of the more important influences which have a direct bearing upon the exports and imports of the yellow metal, so that some general idea may be had as to the causes for its movement, will be given. A knowledge of the principles of foreign exchange (see "Exchange") is necessary to an understanding of the gold movement, for one is very closely related to the other.

In the first place, the actual transportation of the metal is accomplished in this way: Specie in general is almost always shipped on a through bill of lading to London — the principal world's market for gold — and consists either of small bars of gold packed in kegs, or gold coin in similar packages. The present rate of freight from New York to London is ¼% on silver, and 5-32% on gold. The insurance would be placed by the shipper with any of the large insurance companies, whose current rate is 1-20th of 1%. At such times gold is not valued as coin but as bullion. As coin itself is subject to abrasion and, consequently, light weight, the shipper prefers bullion. This may be obtained in bars from the "Assay Office" at a small premium, and packed in sawdust to prevent abrasion. It now becomes a mere commodity and the premium, packing, cartage, expressage, loss of interest on the money involved during transit, and insurance, must all be added to the cost.[2]

[1] Express companies have made a specialty of issuing "travellers' checks" in denominations of $10 and upwards. These have become so well known that they are accepted by steamship companies, hotels, etc., as readily as actual money. These are of great service here in this country, and are in constant use among commercial travellers.

[2] Between London and New York this is estimated at about 3-8 %, or a little less than 2 cents per pound sterling.

The Secretary of the Treasury, in 1906, established the precedent of increasing the Government's deposits in banks (see "United States Depository") to the amount which they have engaged gold for import (covered not by deposits of United States Government bonds, but by what are known as "savings bank bonds" — permissible for the investment of funds of Massachusetts or New York savings banks — accepting them at 90% of their face value) as soon as the engagements have been made.

With the above facts in hand it is easy for the exporter to figure into the transaction the price obtainable abroad and thus determine whether or no he can ship at a profit.

In the next place, why is gold shipped? The common belief that it is to settle the balance between countries arising from exchange of commodities between them is only partly true. There is more than this so-called "balance of trade" entering into the matter. Take our own country, for instance: We must settle with foreigners for not only the commodities imported [1] but for earnings on foreign capital invested here as well as liquidation of the principal; for the expenses incurred by Americans travelling in foreign lands; for foreign securities sold in American markets; remittances sent home by immigrants; and for transportation of American freight in vessels sailing under flags of other nations. The opposite side of the account is the money which immigrants bring in; payment for our exports; expenditures by foreign ships when in our harbours; charges of American vessels for carrying foreign merchandise; travelling expenses incurred in this country by tourists from abroad; investments in United States by foreigners, and interest, dividends and principal payments on such of their securities as are owned by ourselves.

Once in so often a balance of all these accounts must necessarily be struck, and gold shipped by the debtor to the creditor nation. But a settlement in this way may be postponed beyond its natural time. Gold shipments are regulated by the rates of exchange, which, in turn, are affected by the rates for money. Since we are now so closely connected in monetary matters, one nation with another, each will take advantage of higher interest rates prevailing in the other and lend its money there. The rate of exchange, which may have been at

This changes the "gold import point," for not only the loss of interest in transit need not be considered, but an immediate use of the money may be obtained; thus the interest thereon may also be deducted from the cost of importation. This leaves the cost of packing, cartage, insurance and freight, and the cost of the metal, less the item of interest, as the only things to be considered. (Practice discontinued under Secretary Cortelyou.)

This "facilitating process," as it is called, is of vast importance to the United States, as it practically eliminates geography from the question. Gold in almost any part of the world can be readily made available in this market, and it is bound to increase the importance of New York as a monetary centre; in addition to which, it would have a tendency to maintain more equable rates of interest.

The action of the Secretary above referred to, indicates the strong call which the United States made for gold during 1906. This was partly brought about by the San Francisco disaster, and the fact that the New York trust companies were called upon to keep cash reserves for the first time. The London Statist estimates that we absorbed one-half the world's output of gold for the year 1906.

[1] On account of probable undervaluation of imports, published statistics are likely not to be exact.

a point where gold shipments were likely to occur, will be suddenly changed by the creditor nation lending its balances at the prevailing rate in preference to calling its funds home. This will reduce the rate of exchange. Just as soon as the rates for money decline exchange will go up.

A shipment of gold has a natural tendency to strengthen money rates, and is, therefore, always dreaded by Wall and State Streets. The reverse brings lower rates and ease of mind.

Unless there is some such influence at work as the above, it is obvious that the rate of exchange may advance until the shipment of bullion is more advantageous and gold exports follow.

Then there is the complex system of one country paying its debts to another through the medium of a third. Gold was shipped from Australia to pay for food stuffs purchased in Argentina for the English soldiers in the Boer war. The Sydney Mint now sends much gold to San Francisco in payment for American products shipped to Europe.

Great efforts are at times made to attract imports. It is not uncommon for Germany, for example, to mark up discounts as a bid for gold, or the Bank of England to pursue the same tactics to prevent its export.

The Bank of France, however, has another method, namely, that of purchasing gold on its own account and charging exporters a premium for the same. This plan necessitates less frequent changing of the discount rate.

It is usual to expect Europe to ship us gold in the autumn when payments are due for our cotton and grain, and for us to reciprocate in the spring when we are more likely to be in its debt.

Gold is almost the last article exported. We exchange all other products for it. It must be borne in mind, however, that we produce it, as well as corn, cotton, etc., and in the natural course are bound to export it from time to time. (See "Balance of Trade," "Bank of England," "Gold Import Point," and "Gold Export Point.")

International Postal Money-Orders. See "Postal Money-Orders."

International Securities. Securities dealt in upon both the London and New York stock exchanges.

Inter-Relation of Interests. At times, the control by a certain group of men of the stock of one or more railway companies, and control on the part of these railways or other companies is so far-reaching, and the operating of such roads so largely dominated or influenced by the group of men mentioned, that competition, which otherwise might exist between such roads, disappears, on account of the "inter-relation of interests" existing. Or two railway companies may either by direct ownership, or through the control of their own large stockholders, own together the controlling interest in a third railway, which, on account of this common ownership, may be operated to the common benefit of the two owning roads. There exists here an "inter-relation of interests."

Intersecting Street Improvement Bonds. If the reader will first read the subject "Street Improvement Bonds" and then read what is given under "Intercepting Sewer Bonds," it will be understood that "intersecting street improvement bonds" are bonds issued by the municipality itself to defray its proportion of the street improvement expense not properly chargeable against the abutting property.

Intestate. Dying without leaving a will.

In the Red. See "Profit and Loss."

In the Street. See "Street."

Into Sight. First read "Visible Supply." "Into Sight" refers to the quantity which has been added to the "visible supply."

Inventory. A schedule of property owned, with the market value of each article or parcel. An inventory of a dry goods business would be a schedule giving goods on hand not sold, store and office fixtures and furniture of all kinds, real estate, if any, delivery wagons, etc.: in fact everything except cash on hand or due. Often applied, as in a balance sheet, to raw materials, stock in process, and finished goods.

Inverted Pyramid. Condition of insecurity. (See "Pyramiding.")

Investment. The purchase of real property, stocks, or some evidence of indebtedness, with the purpose of obtaining an interest return upon the money; any increase in value of the principal being but a secondary consideration, but the safety of the principal a first consideration. Refer to "Speculation," from which investment differs. As one writer expresses it, "Planting good seed in fertile soil, is investment; betting on how many potatoes the seed will produce to a hill, is speculation."

In its exact sense "investment" is concisely defined by Sprague:[1] "Investment implies divesting one's self of the possession and control of one's assets and granting such possession and control to another." Also: "The essence of strict investment is . . . a share of the gain not dependent on the fortunes of the handler."

Investment Banker (or Broker). A dealer in investment securities. He buys for his own account in large amounts,

[1] "The Accountancy of Investment," Charles E. Sprague.

and then resells (retails) to his customers, the difference between the buying and selling prices being his principal profit. He also gains or loses on the interest which the investments pay him while under his ownership in accordance with the prevailing rates for money, for he customarily is a large borrower, using his securities as "collateral."

Investment Board. See "Savings Bank."

Invisible Supply. The amount of grain, or other product, in the possession of the farmers, etc., and which has not yet reached the elevators or large centres, as is explained under "Visible Supply."

Invoice. An account, descriptive of goods sold, with prices, etc., furnished the buyer by the seller.

Involuntary Bankruptcy. See "Bankrupt."

I. O. U. These letters stand for "I owe you," and, as generally used, are merely an acknowledgment of debt in the form of a memorandum, as: "I. O. U. $10," followed by the signature of the person giving it. When it contains a formal promise to pay upon a specified time it becomes a "promissory note."

Iowa Central. Iowa Central Railway Co.

Irish Dividend. An assessment; the stockholder is called upon to make a payment instead of receiving one; a humourous term for an assessment.

Iron Production. The Wall Street Journal gives the following statistics showing the tremendous strides which this country has made in the production of iron:

Year	Production	Year	Production
1860..........	821,000 tons	1900........	13,790,000 tons
1865..........	831,000 "	1905........	22,992,380 "
1870..........	1,665,200 "	1908[1].......	15,936,018 "
1875..........	2,023,700 "	1912........	29,726,937 "
1880..........	3,835,200 "	1916........	39,434,797 "
1885..........	4,044,500 "	1917........	38,621,216 "
1890..........	9,202,700 "	1918........	39,054,644 "
1895..........	9,446,300 "	1919........	31,015,364 "

Irredeemable Debentures. In Great Britain, for example, there have been issued many railroad company "debentures" (see "Debenture Bond") which have no fixed dates of maturity, as in the case of our bond issues, but which are irredeemable; perpetual; more like a preferred stock.

The English railroads labour under this disadvantage: many of these "irredeemable debentures" bear a high rate of interest, which is a perpetual charge upon the companies.

[1] Decrease due to business depression of 1907–08. The first 6 months of 1909 showed a production of 11,022,346 tons.

It would be of great advantage to them if, in times when low interest rates were prevailing, these issues might be converted or "refunded," as we say, into lower interest-bearing securities, and thus an interest saving for all time to come be accomplished. The irredeemable feature prevents this, however.

Irredeemable Paper Money. See "Inconvertible Paper Money."

Irregular. Many variations in prices; some securities advancing, others declining.

Irrevocable. Something which must remain in force; cannot be recalled. An irrevocable "power of attorney" (see the subject in quotations), for illustration, is one which is not subject to recall or cancellation.

Irrigation Bonds. In many sections of the West, in order to successfully carry on agriculture, artificial irrigation must be maintained. Companies are sometimes formed which undertake this work, and which issue bonds for the purpose of raising money towards defraying the cost. Again, sections of a State may be set aside in the form of a district, called an "irrigation district," which may be authorized to issue bonds for irrigation purposes, and which are payable from taxes levied upon all the taxable property in this district. This is a form of municipal bond, and, likewise, is somewhat of the nature of a "special assessment bond."

Matters to be considered before investing money in bonds of this kind, whether issued by company or district, are: First, the general character of the section benefited; whether by the artificial application of water a fertile and productive agricultural section is produced. Next, the water supply; its permanency, sufficiency, and the legal right to use the required amount. Again, the class of settlers or farmers dwelling in the irrigated section. Of course the near location of a market and transportation facilities are also important.

I. S. C. Interstate Commerce.

Isle Royale. The Isle Royale Copper Co.

Issue House. See "House of Issue."

Issue Par. The price at which a security is first sold, or issued, regardless of its actual face value.

Issue Price. The price at which an issue of securities is offered to the public. In the case where an issue had been previously underwritten, "issue price" is used in contrast to "underwriting price," the difference in the two prices representing the underwriter's profit, from which certain commissions or other expenses may be deducted.

Item. Each check or draft, etc., which a bank presents at the "clearing-house" is referred to as an "item." Cannon states, "The word is frequently employed in combination with a qualifying term, as, for example, 'collection items,' out-of-town items,' 'city items,' etc."

J

Jacking Up. See "Jackscrewing."

Jackscrewing. Fortunately an uncommon term. It is a pity that the financial writers of newspapers cannot find more fitting words to express their meaning. "Jackscrewing" means putting great power, as it were, beneath the market and forcing prices up to unnatural levels. The comparison to the great power of the builders' "jack," by the use of which enormous buildings can be lifted, or forced upwards, explains the application.

Jail Bonds. A form of municipal indebtedness created for the purpose of building or enlarging a jail and, usually, a county obligation.

J. A. J. O. January, April, July, October; interest or dividends payable quarterly, beginning with January.

J. and D. Interest or dividends payable semi-annually, June and December.

J. and J. Interest or dividends payable semi-annually, January and July.

Jeweller's Bar. For use in the manufacture of jewelry, etc., fine gold is cast in the form of small ingots or bars, valued at about $100 and upwards.

Jobber. An English term referring to a London Stock Exchange member, who deals only between other members of the Exchange, and is distinguished from the broker, who, although also a member of the Exchange, executes orders for the general public. The broker, however, deals directly with the "jobber" (it being contrary to custom for the brokers to negotiate with eachother), who, at request, submits a buying and selling price on each security, the broker having the privilege of making a transaction either way in accordance to the desire of his customer. The "jobber," of course, buys for his own account and may properly be termed a "middleman."

The use of word "stock-jobber" in London dates back to 1688.

Jobber of Exchange. One who sells "exchange" to banks and other dealers in "foreign exchange," who resell to their own clients. The "jobber" might be termed the wholesaler of "exchange," and those with whom he deals, the retailers.

Jobber's Turn. A London Stock Exchange term. (See "Jobber.") The "turn" is the profit which the "jobber" makes on a transaction with a "broker," but it is understood that one party to the transaction is the "broker" and the other party another "jobber." When trading between brokers, that is, buying from one broker, for instance, and selling to another, he really makes two "turns."

Joe. See "Fourpence."

Joint Account. Two or more persons having mutual or "joint" interest in a venture or enterprise. A simple example: Two bankers buy $100,000 bonds at 98 "on joint account." These bonds are sold at 100. There is, therefore, $2,000 to divide between the two bankers, each being first allowed to charge up all his expenses incurred in the transaction. The conditions of each "joint account" may vary greatly. One banker may "carry" all the bonds and be allowed a special profit for so doing; or, each may be allowed a commission for all bonds which he sells; or other conditions depending upon the details of each individual transaction.

A "joint account" in "exchange" has reference to a division between the banker drawing the "exchange" and the one expected to honour it, of the profits arising from loaning the proceeds in the latter's market at the prevailing (high) rates of interest. (See "Sterling Loan.")

Joint and Several Note. In a note of this kind any one of the signers can be held responsible for the entire amount of the note in case of inability to pay on the part of the other, or they can all be held equally if each is financially able to meet his proportion. In other words, they are liable for its payment all together, and liable for its payment individually. (See "Joint Note.")

An ordinary promissory note beginning "I promise to pay," and then signed by each of the parties, or by a firm, as "Good & Company," is a "joint and several note;" also one reading, "We jointly and severally promise to pay," signed as above.

Some States make all obligations of two or more persons "joint and several" unless the instrument expressly provides that the obligation shall be "joint" only.

Joint Bonds. There are not many such bonds in existence. The best example is the "joint bond" issued by the Northern Pacific and Great Northern Railroad Companies. The majority of the stock of the Chicago, Burlington & Quincy Railroad Co. was purchased in the interests of both the Great Northern and Northern Pacific Railroads, and a "joint bond," so-called, issued, being the direct obligation of both the companies in question, secured by a deposit of the Chicago, Burlington & Quincy Railroad Co. stock, and guaranteed by the two first named railroads above. The Chicago, Burlington & Quincy Railroad Co. already has its own bonded debt. This security is in reality a "collateral trust" issue and is so called on the bond; a "joint collateral trust."

Joint Collateral Trust Bonds. See last subject.

Joint Indorsement. Sometimes a note is made payable to two or more persons, not partners. Their indorsement in such a case is "joint."

Joint Mortgage. This is explained under "Joint Bonds;" that is to say, such a bond as there described would be a "joint mortgage bond" if secured by a mortgage on the property of the Chicago, Burlington & Quincy R. R. Co., and guaranteed by the Great Northern and Northern Pacific Railroad Companies.

Joint Note. First read "Joint and Several Note." A "joint note" is one signed by two or more persons, but the wording of which begins "We promise to pay" — the words "joint and several" must not be inserted. In case the note is not paid at maturity, the holder must get judgment against all the signers, and take out a "joint" execution against them all; but then he can proceed to satisfy the judgment out of the property of any one of the signers. The ordinary note of a firm, as Small & Bigelow, is a "joint note," as well as a note signed by two or more individuals.

Joint-Stock Bank. This is a term used in Great Britain rather than America, and refers to the incorporated banks; that is, banks whose ownership is represented by shares of stock, much the same as our "national banks." It is used to designate the incorporated banks from the Bank of England and from private bankers. The "joint-stock banks" all keep their "reserves" with the Bank of England. The English "joint-stock bank" came into existence during the fourth decade of the nineteenth century.

In a treatise upon the Athenian revenue published by Xenophon will be found the first suggestion for the creation of a "joint-stock bank."

Joint Stock Land Bank. See "Addenda."

Joint-Stock Company. A company whose ownership is represented by shares of stock. Although this term is occasionally used in America, it is much more common in Great Britain. This term is also subject to two interpretations. In the first place, the ordinary corporation with shares of stock, or, as defined by the General Corporation Laws of West Virginia, "the words joint-stock company include every corporation having a joint-stock or capital divided into shares owned by the stockholders respectively." And then another class, which is really an exaggerated form of partnership, the participants in which do not own shares of stock, but certificates showing their joint interest in the concern or company. Holders of this form of a certificate are personally liable for the debts of a concern the same as in a partnership, and they have not the limited liability of the shareholders of the ordinary corporation with which we are so familiar. A partnership of this kind does not end by the death of a member, nor has each certificate owner the right to transact business for the concern as in an ordinary partnership. This class of "joint-stock companies" is not very common in America, but a good example is that of some of our large express companies, such as the Adams, American, and United States, which are organized under a New York law, by which they have the right to issue transferable shares representing beneficial interests in the companies.

J. O. J. A. July, October, January, and April; interest or dividends payable quarterly beginning with July.

Journal. Those keeping a record of their transactions with others use an account book termed a "journal," in which is entered the daily record of all transactions, which are not cash, which latter, of course, are entered in the "Cash Book." The chief uses of a journal are for entries in closing or balancing accounts, charging off profits or losses, and making entries of correction. In double entry bookkeeping, entries are so made that not only the accounts to which these items are afterwards to be posted in the ledger will show, but whether to the debit or credit of such account.

J. S. D. M. June, September, December, March; interest or dividends payable quarterly, beginning with June.

Judgment Bond. Issued in satisfaction of a debt adjudged legal by a decision of the court. Such bonds, presupposing an ability to pay, are considered safe; the courts recognizing no right of the issuing party to avoid payment unless the existence of fraud in obtaining the judgment can be demonstrated.

Judgment Debt. An indebtedness which has been legalized by action of a court.

Judgment Note. When a debtor wishes to avoid having a law suit brought against him, he may be willing to acknowledge the debt by giving a "judgment note," which is simply an ordinary promissory note containing a power of attorney to appear and confess judgment for him.

Junior Bonds or Securities. Bonds over which another issue has precedence, and which latter, would have prior claim upon the property, in case of foreclosure.

Junior Lien. See "Junior Mortgage."

Junior Mortgage. A mortgage over which some other mortgage would take precedence in the case of foreclosure. "Junior mortgages" would have reference to all but the "first mortgage."

J. & D. Interest or dividends payable semi-annually; June and December.

J. & J. Interest or dividends payable semi-annually, January and July.

K

Kaffir Circus. The name given to that particular part of the London Stock Exchange in which the jobbers and brokers who deal in "Kaffirs" stand. (See next subject.)

Kaffirs. Mining securities of the Johannesburg District of South Africa.

Kangaroos. A term for the securities (mining, etc.) of West Australia, dealt in upon the London Stock Exchange.

Katy. Missouri, Kansas, and Texas Railway Co.

Keep Alive. Not cancelled, but still drawing interest. If a company buys in some of its own bonds for its "sinking fund" account, and continues to pay interest on them as if in the hands of an outside party, the bonds are said to be "kept alive."

Killing. To make a "killing" is to profit handsomely.

Kiting, Kite Flying, or Kiting Checks. This is a method of sustaining a fictitious balance in a bank by the use of accommodation paper, and all depends upon the custom which banks pursue of giving the depositor credit for checks of other people as soon as deposited, and without waiting until the same have been collected. As an example, Green and Brown agree to exchange checks for $1,000 each. Each wants immediate use of all or part of that sum. Each, accordingly, gives the other his check for $1,000, which is properly deposited in his respective bank. They go on the principle that the checks will not be collected before the following day, each expecting to make the amount good at his own bank before it is collected.

This same method may be adopted by a man having two different bank accounts, — depositing in one account a check against the other, expecting to make it good at the latter bank the following day.

Kiting Stocks. Pushing the prices of stocks to high levels not warranted by the established earning powers of properties; trying to establish new high records in prices.

Kitty. The Missouri, Kansas and Texas Railway Co.

Knocked Down. The declaration on the part of an auctioneer that a sale has been effected; *i. e.* " sold," is equivalent to the above.

Kontingent. See " Bank of Germany."

Kopeck. A Russian silver " kopeck " is one-hundredth part of their " ruble," and is equal to about one-half cent United States money. The copper " kopeck " is estimated at $.0075 in our money.

Kran. The monetary unit of Persia, and equivalent to about $.081 United States money.

Krone. The monetary unit of Austria-Hungary, and equivalent to $.203 United States money. Also the monetary unit of Norway, Sweden, and Denmark, being equivalent to $.268 United States money.

Ks. The sign used in the Austria-Hungary monetary system for the " crown," as $ is for our dollar.

K. T. Missouri, Kansas & Texas Railway Company.

L

L. Abbreviation for Elevated Railway.

Lac (or Lakh). One hundred thousand " rupees." (See that subject.)

Lackawanna. Delaware, Lackawanna & Western R. R. Co.

Lafayette Dollar. United States silver dollars, of special design, minted during 1900 in recognition of the unveiling of the statue of Lafayette, at Washington, D. C. Total amount coined $50,026; weight, 412½ grains; fineness, .900.

Lake Copper. Copper mined in the vicinity of Lake Superior. It is found pure in the rock. Ordinarily the best qualities are tougher and stronger than any copper made from ore and give an electrical conductivity of about 100% of that attributed to chemically pure copper.

Lake Shore. Lake Shore & Michigan Southern Ry. Co. Controlled by the New York Central & Hudson River R. R. Co.

Lakh. See " Lac."

Lamb. See " Fleece."

Lame Duck. A person, usually a speculator, temporarily financially embarrassed. A corporation which is embarrassed.

Land Grant Bonds. These are not very common to-day, but were formerly issued by railway companies which pledged, as security for same, lands granted them by the Government, and usually redeemed from the proceeds of their sale.

Land Grant Certificates. See "Land Grant Bonds," which do not differ materially in the form of security pledged for their payment.

Lapse. A life insurance policy "lapses" when the holder fails to pay a premium due, by which he loses his rights under the original contract. But he is generally given a "paid-up" policy or "extended insurance" policy at his option.

Lard. The trading unit is 50,000 pounds. The commission charged for the purchase or sale, or for the purchase and sale of lard is 25 cents per 1000 pounds. The usual "margin" required is ½ cent per pound.

Latin Union. This consists of France, Belgium, Italy, Greece, and Switzerland, which have adopted a common monetary unit, viz., the "franc;" the gold "franc" being equal to 19.3 cents United States money. In Italy the unit is called "lira," but has the same value as the "franc;" and in Greece the "drachma."

Laundry (or Laundry Business). This has reference to "washing," so-called. (See "Wash Sales.")

Law, John. A Scotch financier and an advocate of paper currency. In May, 1716, he founded in Paris, France's first banking institution, the Banque Générale, and issued paper currency in accordance with his views. These notes were accepted in payment of taxes, and soon were at a premium. In 1717 the French Government gave him control of Louisiana for the purposes of trade and colonization, and the Compagnie d'Occident was formed accordingly. It was commonly called the "Mississippi Company," but afterwards became known as the "Mississippi Scheme," or "Bubble." Later, the East India, China, and Africa companies were absorbed, and the company took over the control of the Mint, besides the powers of "Receivers-General," thus becoming of vast importance in foreign commercial affairs, as well as home financial matters. The Banque Générale, in 1718, was changed to Banque Royale. In 1720, Law became Controller-General of Finance, and the company and bank became one. Prosperous conditions only continued for a short time, however, from the fact that there was an over-issue of paper money and the Government became antagonistic to Law's scheme, so in May, 1720, after a tremendous speculative craze, a complete collapse occurred and Law left the country.

Lawful Money. Money which the Government declares to be legal tender (see "Legal Tender") in payment of obligations; money which the creditor may not refuse in the payment of a debt except where otherwise expressly stipulated in the contract.

The "Opinions of the Attorney General of the United States" gives the following: "The term 'lawful money' is understood to apply to every form of money which is endowed by law with the legal tender quality."

Under the revised statutes of the United States, neither gold certificates, silver certificates, nor national bank notes are endowed with legal tender properties.

Clearing-house certificates, representing specie or lawful money especially deposited for the purpose, of any clearing-house national bank shall be deemed to be lawful money in the possession of any association belonging to such clearing-house, holding and owning such certificate, for the purposes of "reserve."

The term "lawful money," when applied to what are known as "gold banks," "shall be construed to mean gold or silver coin of the United States."

Lawful Money Bonds. Bond payable in "lawful money" (see that subject) of the United States.

L. C. L. Less than car-load lots.

Ld. gt. Land Grant.

Lead. National Lead Co.

Ledger. Among the books kept by firms, corporations, etc., transacting business with others, is an account book termed a "ledger," in which is entered a record of all transactions, either money or otherwise, so that upon one side shall be everything to the credit of a certain account, and, upon the other, everything against it. This is accomplished by "posting" — carrying from one book of accounts to another — from the "journal" and "cash book" in double entry bookkeeping, and from the "day book" and "cash book," if such books are used, in single entry bookkeeping.

Legal Holidays. A day, other than Sunday, which, so far as business of many kinds is concerned, has lawfully the same status as that day. Upon a "legal holiday" notes may not be collected. Banks and all public offices are closed. Practically no business is carried on except that of public service corporations or for the pleasure and entertainment of the masses. In every State when a "legal holiday" falls on Sunday the next day is set aside in its stead, except in Louisiana, which observes the same day, and Washington, which observes the day preceding. Sunday, Christmas, and July 4th are legal holidays in every State of the Union, but not necessarily so the other holidays. Each State makes its own separate laws in relation to such days. In many States notes or other negotiable paper due on a "legal holiday" are payable the day following. In New York, for illustration, if negotiable paper falls due on July 4th, and it so happens that

that day is a Saturday, then it should be presented for payment Monday, the 6th.

In the lack of absolute knowledge on such point it is desirable to look it up, for, in some States, it is payable the day before.

Legal Investments for Savings Banks. Expressions like "legal for Massachusetts savings banks," or "legal for New York savings banks," have appeared so many times in circulars of bond houses in connection with this, that, and the other bond, that it seems almost as if every one who has had occasion to look at such circulars, must either have accepted these phrases without attaching any particular meaning to them, or must have a clear understanding of what is meant.

This information is given in connection with describing an issue of bonds for two purposes: First, to notify a bank official that the bonds may be purchased by his bank in strict compliance with the law; Second, to give the bond recommendation to a private investor from the fact of its being legal for savings banks to purchase. The laws of the majority of States regulate specifically in what bonds, stocks, etc., a savings bank may invest the money of its depositors. Limitations placed upon such investments differ in the various States, but, at the time of writing, the States having the more conservative laws in this respect are: New York and Massachusetts particularly, also Connecticut, Vermont, Maine, New Hampshire and Rhode Island.

Legality of Securities. See "Attorney's Opinion."

Legal Name of a Woman. See "Woman's Signature."

Legal Opinion. See "Attorney's Opinion."

Legal Rate of Interest. A fixed rate, established by State law, greater than which no charge may be made for the use of money. An interest charge exceeding the legal rate is called "usury" and may be penalized by the courts. In some States no attempt is made to interfere between the lender and borrower establishing any agreed rate of interest, the legal rate in such cases being simply to prevent creditors exacting unfair rates from the debtors.

No national bank is allowed to charge interest in excess of the legal rate of the State in which located. In absence of such State limitation, a national bank may charge a maximum rate of 7%.

In New York State any rate of interest is legally permitted on "collateral call loans" of $5,000 or upwards, but in that State, as elsewhere, the regular legal rate is often successfully evaded by charging the borrowers a commission in addition to the interest rate.

In many parts of the old Testament we find that a strong prejudice existed against paying any interest whatsoever, but this was discovered to have been due to a mistaken interpretation of some of the enactments of the Mosaic law. Even in more recent times there has existed a strong aversion to the payment of interest, for during the reign of Edward VI (1547–1553), England passed a prohibitory act, the alleged reason being that "the charging of interest was a vice most odious and detestable, and contrary to the word of God." But the error and impolicy of this view was soon shown by Calvin, the reformer. Nevertheless, other legislation, known as the Usury Laws, kept the feeling alive by attempting to place a maximum limit upon the rate to be charged. Under Elizabeth (1571) this was fixed at 10%, and under James the First (1624) at 8%. Later (about 1651), it was reduced to 6%, and during Queen Anne's reign (1702–1714) to 5%, where it remained until 1839, when the law was repealed.

There was also a limit fixed to the rate of interest in the Italian Republics of the middle ages, as well as in France.

Legals. Meaning the same as "Legal Tenders."

In some sections of the country, the securities which are legalized investments for the savings banks to buy are referred to by the dealer as "legals." (See "Legal Investments for Savings Banks.")

Legal Tender. Money which may be legally used in the payment of a debt, and which the creditor must accept. The laws of the United States specifically state the legal tender qualities of all forms of money in this country, as follows:

"Gold coins, standard silver dollars, subsidiary silver, minor coins, United States notes, and Treasury notes of 1890 have the legal tender quality as follows: Gold coin is legal tender for its nominal value when not below the limit of tolerance in weight; when below that limit it is legal tender in proportion to its weight; standard silver dollars and Treasury notes of 1890 are legal tender for all debts, public and private, except where otherwise expressly stipulated in the contract; subsidiary silver is legal tender to the extent of $10, minor coins to the extent of 25 cents, and United States notes for all debts, public and private, except duties on imports and interest on the public debt. Gold certificates, silver certificates, and national bank notes are non-legal tender money. Both kinds of certificates, however, are receivable for all public dues; and national bank notes are receivable for all public dues except duties on imports, and may be paid out for all salaries, demands, etc., owing by the Government within the United States, except interest on the public debt and in the redemption of the national currency."

Foreign coins are not legal tender in the United States.

Before the Civil War, gold and silver coins were the only recognized legal tender money in this country.

During Massachusetts' Colonial days, when other money became scarce, wampum was made a "legal tender" up to a limited amount and at a fixed rate. In the same manner, tobacco was used in Virginia, and tobacco and Indian corn in Maryland.[1]

"Cours legal" is the French term for "legal tender."

Legal Tender Bonds. Bonds payable in any "legal tender" (see that subject) money of the United States.

Legal Tender Certificate. A Government receipt formerly issued in exchange for "legal tender notes" deposited in a "sub-treasury," and only negotiable among members of the "clearing-house association" in the city where issued. It was necessary that it bear the indorsements both of the bank to which issued and the bank presenting it for redemption. Also called "currency certificate." They are no longer used.

Legal Tender Note. (Read "Legal Tender.") Paper money, which, by law, is "legal tender." It must be borne in mind, however, that, whereas, silver and gold are receivable in every section of the world at their known intrinsic value, a "legal tender note" of the United States, for instance, would not be accepted in sections of the world where the inhabitants were ignorant of the ability to pay on the part of the issuer.

Legal Trust. See "Trust."

Lei. The monetary unit of Roumania; being the same as the French "franc" or $.193 United States money.

Lending Stocks. See "Borrowing Stocks."

Letter of Advice. This is a written notice used in "exchange" (to which refer) transactions, and sent from the one drawing the "bill" to the one expected to pay it.

Letter of Credit. (A fuller understanding of this may be had by first reading "Exchange.") A method by which persons travelling can obtain money at different points, thus making it unnecessary to carry a large sum at the outset. The method of procuring a "letter of credit" is to go to some bank, or banking house, making a practice of selling the same, and deposit money, or approved securities, sufficient to cover the credit desired, in addition to which will be paid a small charge for the accommodation. The customer receives a written order which is good when presented at certain banks or banking houses, in such cities as the traveller intends to visit, for payment to him of sums of money not greater in the aggregate than the face value of the "letter of credit." They

[1] "Money and the Mechanism of Exchange," Jevons.

are good at all important points throughout the world. When a stranger wishes to buy a credit, it is desirable to bring a letter of introduction from a bank bearing not only the signature of some officer of the bank, but the signature of the bearer as well, or to arrange some other method of satisfactory introduction. The holder of one of these "circular," or "traveller's letters of credit" is identified by his signature. The credit will be issued in favour of two or more persons if desired.

Such orders, when used by travellers in the same country as that in which they are issued, are called "domestic traveller's letters of credit," but for use without the country issuing, "foreign traveller's letters of credit."

Foreign credits enable the holders to obtain the money current in each country where presented.

There are also "commercial letters of credit," which are likewise "foreign" and "domestic," according to the place in which desired. These are issued, if "foreign," payable in the money current in the country where desired for use, francs, marks, guilders, etc., and afford the merchant or manufacturer facility and protection in paying for purchases made abroad. They are issued on account of the importer and in favour of the shipper, seller, or manufacturer, in foreign countries.

For example: If a merchant in Boston buys merchandise in Constantinople, he may obtain a "commercial letter of credit" for the sum desired, which he forwards to the seller in Constantinople, and that person, upon presentation in his city to the banking house designated in the "letter of credit," and properly identifying himself, may obtain the sum desired, but generally only upon presentation with the "letter of credit" the documents showing actual shipment of the goods.

The issuer of the "letter of credit" naturally instructs his correspondent, that the latter may be properly advised.

Letters Testamentary. An instrument issued by a court authorizing the executor under a will to perform the duties of his office.

Levee Bonds. Particularly issued in the South by Levee Districts; that is, municipal subdivisions, the taxable property therein being assessed for the principal and interest of the debts. These bonds are issued to defray the expenses of building and maintaining levees for the reclamation or protection of land which would otherwise be submerged by water all or part of the time. Investors should look into one of these issues very carefully before purchasing. The wealth of the taxable property in the district, the necessity of the levee and the probable permanency of the work, are deserving of thoughtful consideration. A levee which is so situated and constructed that it is apt to be easily washed away is by no means a good foundation for investment. Some of these issues have proven quite satisfactory; as a class they yield a high return upon the investment.

Level Premium. A premium determined at the time of taking out a life insurance policy, by which the rate of premium is fixed at the same amount per annum, based upon the age of the insured.

Liabilities. All debts or obligations of any kind to pay money, or its equivalent, are called "liabilities;" something owed.

Capital stock, accounts payable, funded and floating indebtedness, surplus, losses, etc., all appear under this heading.

Liability Insurance. This is a subject to be considered by the investor regarding certain classes of securities. A street railway may be earning enough to pay the interest on its bonds and also good dividends upon its stock; in other words, may be looked upon as a corporation in good financial standing. At the same time, a serious accident may occur, causing a loss of the lives of many passengers and the injury of many others, the blame for which may rest upon the railway company, necessitating large payments in the way of damages. It is possible that the amount of money required for this purpose may not only be equal to the earnings of the railway for a long time to come, but actually cause financial disaster to the company.[1] There are companies which will insure a railway to a limited extent, against loss resulting from accident. The expense of such insurance, however, is so great that comparatively few companies can afford it. The majority of railroads are such large corporations that the loss resulting from any one accident would hardly be serious enough to embarrass the road, so that in this connection the investor, as a rule, need only consider the smaller road. In the latter case, therefore, in lack of the existence of liability insurance, the investor must take into consideration the physical condition, grades, curves, construction, etc., of the property. In such sections of the country where it is possible to build long stretches of road practically without curves and appreciable grades, the danger of accidents is slight. Bad curves

[1] As a general proposition, unless there is special State legislation to the contrary, a claim for damages is subservient to a mortgage. This has been shown by a recent decision of the Supreme Court confirming a decision of the District Court in a Montana case; the Court holding that the section of the statutes of that State which provided that a personal injury claim had a prior right over a mortgage applies only to railroads of commerce and not street railroads, there having been special legislation in regard to the former; the case in question being a claim against the Great Falls Street Railway Co.

and hills, therefore, are very important things to consider in a street railway property, for not only do they count in considering the risk of an accident, but the cost of operation in such a country is far greater than in one with more favourable conditions.

Gas and electric light companies do not offer a great risk of accident to the public for which such companies can be held responsible; at least, the loss resulting from any one such accident would probably be a comparatively small matter, and the investor, as a rule, need not consider "liability insurance" in looking into that class of investment. As a matter of fact "liability insurance" is quite generally carried by gas and electric light companies.

For liability in event of accident or damage in relation to vessel property, refer to "Steamship Company Bonds."

Many corporations carry what is known as "Employees Liability Insurance," which insures, in a very satisfactory way, against loss to the company on account of accident to its employees resulting from its own negligence. This class of insurance is not very expensive and is advisable.

Liability of Shareholders. Refer to "Double Liability" and "Non-assessable."

Liberty Bonds. See "Addenda."

Lien. A claim against the property which the possessor may retain until the satisfaction of some demand or a debt due him. A mortgage is a "lien." "Liens," however, vary in their character. One may hold the first "lien" against a property which would be equal to holding the first mortgage; in other words, nobody has a prior claim against it. A "second lien" would be equal to a second mortgage and so on. This word "lien" has been used in such ways as to confuse the investor. There was an issue of bonds brought out by one of our large railroad companies some years ago, which were called "prior liens," and many investors assumed that these were secured by a mortgage prior to any other, while, as a matter of fact, this was not the case, there having been another issue brought out previous to these, and there was also an issue which came after the "prior liens." The "prior liens," so-called, did take precedence over some other obligation, but there was still an obligation preceding them. Many investors who bought these bonds without this understanding lost money thereby.

Life Annuity. A fixed sum of money payable yearly to and during the life of the person or persons entitled to receive the same.

Life Insurance. Something about life insurance may not be amiss, although it is impossible to allow much space for the discussion of the kind of insurance most desirable or what class of people ought to be insured, etc. The one point most necessary to be considered, however, is the company or companies in which to insure. Give this salient fact careful consideration, namely, do not be influenced too strongly by the rate of dividends earned by any one company and such like inducements brought to one's attention by the average insurance agent, but look into the plan which a company pursues in the investment of its funds, for upon their safe investment must the insured depend for the ultimate payment of his policy. Much has been publicly printed of late regarding the handling of investments on the part of large insurance companies with much truth, but these companies are solvent, and insurance in them is safer than ever before. It is always possible for any person contemplating insurance to obtain a list of the investments of companies under consideration, and, in lack of sufficient knowledge regarding them, to discuss the list with some competent financial advisor, who, at the same time, may be able to give desired information regarding the character of the men in control of the company.

"Life insurance" is nothing more nor less than depositing one's money in a savings bank, to which is attached the gambling feature of the company that the insured will live beyond a certain period, and the policy holder accepting the wager, and betting that he will not. If there were any way of ascertaining the absolute certainty of living beyond the estimate placed by the insurance companies, "straight life insurance" would be useless. For the privilege of betting that you will not live beyond a certain time, and upon the winning of which bet your estate collects the amount of the wager, you are asked to pay an excessive charge. The cost of life insurance, at this time of writing — 1906 — is far greater than it should be, and is necessitated particularly by the cost of soliciting life insurance through the medium of agents. If all agency work could be done away with the cost would be much lessened. Some persons consider that it is against public policy to solicit life insurance, but it is the result of undue competition in business. One of the old life insurance companies in England never has had an agent, and is to-day a prosperous company. It is very likely true, as the insurance people claim, that the rates of that company are no lower than obtainable elsewhere, because the new business secured is not great enough to give it the benefit of a large influx of new lives. That would change, nevertheless, if all companies did away with the agency feature. However, it would be somewhat of a radical revolution to expect such a change in the conduct of this business, and it is fair to say that the very large majority of life insurance companies in America are sound, and that a policy taken in the same, even at the present excessive cost, is not only safe, but, for a great many people, very desirable. In this connection it may be stated that a recent law has been passed in New York State which compels companies doing business therein to limit their expense account. This will correct, to quite an extent, the excessive cost referred to.

It is not the object here to discourage life insurance; far from it. Rather to encourage it; but there are many instances when it is unadvisable, or at least unnecessary, and possibly a better investment of one's funds might be made.

While the cheapest kind of companies to insure in are the "assessment and fraternal insurance" companies, they have not proved the most satisfactory, as is set forth under the subject in quotations. The cheapest kind of insurance is "term insurance," so called; that is, the insured receives the face of his policy only in case of death before the expiration of the agreed time; for, in this class, the only expenses which the companies need to figure into the premiums are those resulting from death losses and managerial expenses. But, as policies of this kind are usually taken out to cover some particular risk, they are not commonly of long duration. For the benefit of one's family, a "term insurance" policy with renewable features is an inexpensive and desirable form. The "level premium" plan is the best for a man upon a salary or with a certain yearly income, and in which there is little likelihood of any increase. It is more expensive than "term insurance" at the start, but not so later on.

"Endowment insurance" is well worth consideration for those who can afford the increased cost; as it not only carries the feature of the payment of its face value in case of death, but returns the same sum at the end of the endowment period. To that extent it is much like a savings bank. "Endowment insurance" encourages an enforced saving, and, when the policies have been properly selected, has proved very beneficial in many cases.

From the standpoint of an investment alone life insurance is absolutely valueless. Savings banks pay better rates of interest. There must be other reasons for insuring than the investment feature to make it worth the while. The interest earned may be a secondary consideration, but must never be a first.

Too great weight should not be attached to inducements frequently advanced by the agent, such as the amount of money which his company will loan upon a policy; its "cash surrender value," etc. The value of such privileges depends entirely upon the person, whether or no he is likely to abuse the same. Some men actually need the incentive which the lack of these privileges would compel in order to encourage the savings necessary to meet premium payments. Looking at it from the standpoint of one's family, an insurance policy which neither permits one to borrow nor obtain a "cash surrender value" upon it, is probably, in many instances, the most desirable.

Lift Prices. "Prices were lifted;" forced up unnaturally.

Limelight. In the light of a searching public investigation.

Limit. A price which a broker must not go beyond in executing an order for his customer. "His limit to buy was 63." The broker had no right to fill the order at a price in excess of 63. The word "limit" might also be used in restricting the amount to be purchased or sold.

Limited (or Limited Company). Limited liability. "Limited" signifies that by law the shareholders are exempt from personal liability beyond the amount already invested, except in a few instances which differ slightly in the various states. (See "Double Liability.")

Limited Legal Tender. (First read "Legal Tender.") Money which has "legal tender" qualities only to a certain amount. Example: Our twenty-five cent silver pieces may be used in the settlement of a debt up to $10; *i. e.* they are "legal tender" only to the amount of $10 in any one payment.

Limited Partnership. Burdick, in his "Essentials of Business Law," says that the idea of a "limited partnership" was borrowed from the French, and first introduced in this country in 1822 by the Legislature of New York.

Such partnership must consist of at least one member fully liable for all debts of the firm and who is likewise a manager of the business. In addition there are one or more "special partners" taking no active management of the business, and who are limited for the indebtedness of the firm up to only the amount contributed to capital.

Limping Standard. A country which at one time employed the double standard of gold and silver, but has suspended the free coinage of silver in order to keep its silver coins at par with gold, is considered to have a "limping standard" (Etalon Boiteaux), because silver limps along behind gold without being subject to free coinage. Countries which are not practically upon the "gold standard" are not usually classified as under the "limping standard." If their coins are not at par with gold, they are treated as on the "silver standard." [1]

Line. "He carries a good line of —— stock;" "line" here meaning special kind. "Line" is also used to denote a certain amount of securities carried more or less continually

[1] I am indebted to Mr. Charles A. Conant for assistance in framing this definition.

as " a line of 10,000 shares." A " line " of road indicates a railroad.

Linseed Oil. American Linseed Co.

Liquid Assets. Money, or property of all kinds, which may be readily converted into money.[1] (See " Quick Assets.")

Liquidated Damages. Damages fixed upon in advance by the parties to a contract as the amount which shall be recoverable upon a breach of the contract.

Liquidating Market. As commonly understood, a market in which a great many are selling securities; taking their profits, as it were, naturally resulting in declining prices. Or the " short interests " may be forced to " cover." Such a market is naturally the result of an excessive buying or " short selling."

Liquidation. This is used in two ways. In one case, it means the winding up of a business, the converting of its assets into cash, etc.; in the other, it is used in reference to the stock exchange when holders of stock are selling, converting the same into money.

" Liquidation of speculative accounts " indicates that those who were speculating decided to close out their accounts.

" Liquidation " in either of the above examples may be " voluntary " or " forced."

When a speculator who has been " long " sells out at a loss, he has " liquidated."

Liquid Resources. See " Liquid Assets."

Lira. An Italian silver coin equal in value to the French franc, or $.193 in United States money.

List. " Sold the list generally." An expression used in reference to general transactions in many different securities listed upon the stock exchange; a general selling of most listed securities rather than the transactions of the day being confined to a few different ones. The " list " refers to the securities which may be dealt in upon the stock exchange, and a list of which is established in each exchange.

The corresponding term for the London Stock Exchange is " official list."

Listed (or Listed Securities). Each stock exchange has certain rules which must be complied with before a security may be traded in thereon. There must be submitted to certain officers of an exchange a description of the security in such a tangible form that any one may satisfy himself as to every detail and particular of the property represented.

[1] W. W. Carlile thinks that " liquidity " as applied to assets " can mean nothing else but the possession of a value that is not liable to fluctuate." — " *Economic Method and Economic Fallacies.*"

Furthermore, at regular intervals there must be furnished a statement of the financial condition and earnings of each company whose securities have been listed. In the New York Stock Exchange there is a "Stock List Committee," which receives and considers all applications for placing securities upon the "list" of the exchange, and makes report and recommendation thereon to the "Governing Committee," giving full statement of earning, organization, capitalization, resources and indebtedness. This committee has charge of the arrangement and revision of the regular "list" of securities. "Listed" securities, therefore, have, to a certain extent, the approval of the exchange, and it is understood that the corporations which they represent are furnishing to the exchange sworn statements of their financial condition and earnings as required.

The investor or speculator must not be deluded, however, into believing that just because a security is "listed" upon an exchange, it follows that it is any better than some other security not so favoured. "Listing" simply means that facts and figures in relation to the security are given more or less publicity; that is, are available to the public; but the stock exchange in no way stands sponsor for the intrinsic merits of any security "listed" thereon.

Little. Common stock. (See second and third subjects below for examples.)

Little Board. The least important of two stock exchanges in any given city (see "Big Board" — Addenda).

Little Npr. (Nipper). Northern Pacific R. R. Co. common stock.

Little Union. Union Pacific Railway Co. common stock.

Live Assets. Investments upon which interest has been or is expected to be paid as due, or income-producing property.

LL. The "ticker" abbreviation for "leased lines."

Loading. A term used in life insurance company offices. A life insurance premium may be divided into three parts. The "actuary" figures what sum is necessary to cover the mortality losses and the amount necessary for "reserve." In addition to these two factors, must be considered the amount to cover the expenses of the company. This is the "loading;" being that part of the premium which can properly be applied to the company's expenses.

Load Up. To purchase a great deal of anything. You load up with a certain stock when you buy nearly or fully up to your capacity. "He is loaded." This may mean the same as the last or may mean that he has too much of an undesirable security, of which it is impossible to dispose, except at a loss.

Loan and Trust Company. See "Trust Company."

Loan Certificate. A short term for "Clearing-House Loan Certificate."

Loan Crowd. Those brokers who have stocks to lend or who wish to borrow them. Refer to "Borrowing Stock."

Loaned Stock. See "Borrowing Stock."

Loaning Rate on Stocks. See "Borrowing Stocks."

Local Check. Although "local check" in clearing-house parlance would naturally indicate a check on some bank belonging to the clearing-house association, in some instances, it is used in the same sense as an "out-of-town check," or a check on some country bank.

Locked Up. Money is said to be "locked up" when it is not available for immediate use. Money that is "locked up" is not necessarily ill-invested, as it may be in such form that it is not adapted to other uses.

When, however, money is said to be "tied up," it conveys an idea of insecurity, as that of a depositor in a bank in process of forced liquidation.

Locomotive. American Locomotive Co.

Lombard Street.[1] Lombard Street as used with us has much the same general significance as our own term "Wall Street" (which read), but to quote the words of a well-known London man of finance:

"The terms in London, which most nearly correspond to 'Wall Street' in New York, would be 'Capel Court' and 'Throgmorton Street,' 'Lombard Street' and 'Threadneedle Street,' referring more particularly to the banking element of our city, whereas the Stock Exchange and its associations are more correctly described by the former."

Bagehot, writing of Lombard Street in 1873, said "that it is by far the greatest combination of economical power and economical delicacy that the world has ever seen. . . . Money is economical power."

One English financier — W. R. Lawson — says of Lombard Street: " . . . meaning thereby the clearing banks of London, the discount houses, the bill brokers, and all the moneyed interests."

London Equivalent. Read "New York Equivalent," which applies here, transposing the two cities.

London Money. Rates asked for "call" and "time" money in that city.

[1] This Street received its name from the Lombards — Italian merchants from the republics of Genoa, Lucca, Florence and Venice — who carried on the business of banking, and who, previous to the expulsion of the Jews, settled in England.

London Orders. London time is five hours later in the day than New York "standard time." That is to say, the sun rises about five hours earlier at London than it does at New York.

The London stock exchange opens at 11 o'clock A. M., London time, and closes at 4 P. M., except that it remains open one half hour longer on "account days." London receives the first New York quotations just after 3 o'clock in the afternoon, and, when the New York Stock Exchange opens, the day's business is nearly finished in London, as 10 A.M. in the former equals 3 P. M. in London. Therefore, New York receives the entire day's London quotations during the forenoon, and the majority of them before the opening of its own exchange.[1]

The commission for buying or selling American stocks in London is at the rate of about $12.50 per 100 shares or 6*d.* per share. This is also the commission charged for the purchase of "options."

American securities are paid for in London in pounds sterling, regardless of the rate of exchange, at an unchangeable fixed rate: $5 to £1. Example: 100 shares at $50 would amount to $5,000, the London payment being 100 pounds sterling. An American order sent during the afternoon or evening is understood to be "good in London" until 2 P. M. (about 9 A. M. New York time) the following day, unless otherwise stated, permitting the receipt of an answer before the opening in New York. Likewise, orders sent during the day are understood to be "good in London" the balance of that day.

The London variations in prices are allowed by "sixteenths," whereas on the New York Exchange they must not be at lesser intervals than "eighths."

Stock deliveries in London are usually made in certificates of ten shares each.

Arrangements for shipping securities sold, or receiving securities purchased, on the London Stock Exchange, are best arranged for through a banking house, charges being made for shipping expenses, insurance, and interest on the money involved while the securities are in transit.

London Quotations. These differ from ours, as we give the number of shares, etc., traded in, and the prices realized, but in London only the bid and asked prices are given. (See "New York Equivalent.")

The stock exchange quotations are given in fractions of one pound in this manner:

	Shillings	Pence		Shillings	Pence
1-32 =	0	7½	3-32 =	1	10½
1-16 =	1	3	7-8 =	17	6 And so on.

[1] During the World war, the "daylight saving plan" has been adopted in London, so, for the time being, the exchange opens earlier.

London Settlement. See "Fortnightly Settling-Days."

London Stock Exchange Transactions. A brief sketch of how "bargains," as the English call them, are transacted upon the London Stock Exchange may be of interest.

In the first place, in London there are two classes of brokers: The "outside broker," who may or may not be a responsible party, the term including what we know as "bucket shop brokers," "curb brokers," or, in fact, any broker not an accredited member of the exchange. The "inside broker" who belongs to the stock exchange, members of which are not allowed to advertise for business.

Let us suppose that an order is given one's broker to buy and sell a security. He goes to the stock exchange. If the security happens to be one of the English railway shares he goes to what is known as the "Home Railway Market;" which is a particular part of the exchange where securities of that class are dealt in, not making it necessary to wander all over the building to find some one who deals in the security sought. The broker goes to the "dealer" or "jobber," meaning one and the same, who correspond much to the wholesale merchants in commerce. The broker will ask the jobber to name a price on the security, without telling whether a purchase or sale is desired. The jobber may refuse to make him a price if he sees fit, but if a price is named he is bound by the rules of the stock exchange to buy or sell the security referred to at the option of the broker. Thus two prices are always named by the jobber, one at which he will sell and the other at which he will buy, which explains why the newspapers give two quotations, as, for instance, $128\frac{1}{2}$ — 129, meaning that the lesser price is the one at which the jobber will buy, and the higher, at which he will sell. The half of one per cent. represents the jobber's profit and is called the "jobber's turn." As he has to buy or sell at his own risk — close one transaction before closing the other — he naturally demands a larger percentage than would our American broker, who buys and sells on orders. The London jobber, after naming a price at which he will sell a stock, must take his chances upon buying from another jobber at a price which will show him a profit. When the newspapers give but one price, that is termed the "middle price," by which it is understood that the buying or selling prices must be respectively a little more than or a little less than the price given if a transaction is desired.

After the "bargain" is completed, the broker will wish to know when payment is to be effected. If the customer desires to pay cash for a purchase, that may be done at once, or, if not, he may wish to carry it forward to the next settlement, which is the usual custom. Purchases for cash call for slightly higher prices than the current quotations, hence it is rather better to buy for the settlement. This method of completing transactions is explained under "Fortnightly Settling-Days."[1] (See also "London Orders.")

"Bargains in Bonds and Debentures include the accrued interest in the price, except in the case of British and Colonial Treasury and Exchequer Notes or Bills, Rupee Paper, Indian Railway Debentures, and certain Securities of a like character, which are dealt in so that the accrued interest up to the day for which the Bargain is done is paid by the Buyer."[2]

Long. To be "long" of a security means to own more than you have contracts to deliver. If a person owns 100 shares of Union Pacific stock more than he has sold, he is "long" on that stock. The word is used to denote ownership merely as the opposite of the word "short," which is fully explained under the heading "Selling Short." One often reads such a sentence as: "Much long stock came out," meaning there was plenty offered for sale, and holders were taking their profits. When "bulls" have been buying they are "long." Those who are "long" have bought in expectation of an advance in price.

Long Account. (First read "Long.") This refers to the purchases of all those who have bought a certain security, or it may refer to purchases in general without regard to any particular security. The "long account" naturally includes the "bulls."

Long Bills. "Time bills" of "exchange" for, say, 60 or 90 days, or some other long period. (See subjects in quotations.")

Long Interest. (First read "Long.") All those who are "long" of any or all securities.

Long Island. Long Island R. R. Co. Controlled by the Pennsylvania R. R. Co., through an ownership of the majority of its stock.

Long Market. An overbought condition existing; too many have been executing contracts for purchase, the result of which will naturally be a decline in prices.

Long Pull. A purchase of a security with the expectation of holding it for a considerable duration of time; or "selling short," anticipating that that position will have to be maintained for a long period.

Long Rate. (As used in fire insurance.) A rate is based on a year's period of time. A long rate is so called when the

[1] For much of the above information I am indebted to W. W. Wall's excellent book "British Railway Finance."

[2] Rules and Regulations of the London Stock Exchange — 1906.

period is more than one year, as for three years it is twice the annual rate and for five years three times the annual rate.

Long Side. "Too much pressure on the long side." By an understanding of "long," it will be seen that the foregoing expression has reference to the fact that there has been too great a buying of securities, and a desire to dispose of the same becomes apparent, resulting in a tendency to a decline in prices. An overbought market would have the same meaning.

Long Sterling. "Time bills" of "exchange" on London for, say, 60 or 90 days, or some other long period. (See subjects in quotations.)

Long Stock. See "Long."

Loss. When a security is sold for less than cost or depreciates in value below cost; when a business at the end of a stated period has incurred a cost of operating greater than the receipts, the business has been run at a "loss."

Lost Stock Certificates, Bonds, Etc. See "Care of Securities."

Lottery Bonds. Bonds which may be drawn by lot at some date earlier than the actual maturity specified in the face of the security, or such securities as referred to in "Premium Bonds" might be considered as "lottery bonds."

Louis. A "gold Louis" ("Louis d'or") is the French twenty-franc piece. It was first coined in 1640 during the reign of Louis XIII. The modern twenty-franc piece is called a "Napoleon."

Louisiana Purchase Exposition Dollar. United States gold dollars of special design minted during 1902 and 1903 in recognition of the St. Louis World's Fair, total amount coined, $250,258 of standard weight and fineness.

Louisville and Nashville. Louisville & Nashville R. R. Co.

L. s. d. The signs used in Great Britain for "pounds," "shillings," and "pence."

Lying Down. A refusal to meet one's agreements or contracts.

M

Mackay. Mackay Companies. A "voluntary association" owning the Commercial Cable Co., and other similar properties.

Maine. Boston & Maine R. R. Co.

Maine Central. Maine Central R. R. Co.

Maintenance of Equipment. A heading of an account as exhibited in the operating statement of the earnings of a railroad and should include, as determined by the Interstate Commerce Commission, all renewals and repairs to rolling stock, marine equipment if any, as well as shop machinery, tools, etc., superintendence, stationery, printing, and other expenses incurred in relation thereto.

Maintenance of Way and Structure. This heading is always seen under the "Operating Expenses" of a railroad company and, as classified by the Interstate Commerce Commission, includes the following: Repairs of roadway, renewals of rails and ties, repairs and renewals of bridges, culverts, fences, road crossings, signs, cattle guards, buildings and fixtures, docks, wharves and telegraph, stationery and printing in connection with the foregoing; also minor expenses referred to as "Other Expenses," which go to preserve a good physical condition of the line of road.

Maker. The person who signs a note, draft, etc.

Making-Up Day. The first of the "fortnightly settling-days," which subject see, as well as "Contango Day."

Making-Up Price. To understand this, it is necessary to read "Stock Exchange Clearing-House." "Making-up price" is, with us, what is referred to under that heading as the "delivery price."

In London this term has reference to the price at which a security is carried over to the next settlement, as explained under "Contango." The price at which some one else who is willing to furnish the stock, for example, sells it to him, for immediate delivery, and buys it in again for the next (new) account, is the "making-up price."

The "making-up prices" are fixed at the hour of noon, on what is known as "Contango Day" (to which subject refer), by an official of the London Stock Exchange.

On the following day, which is "Ticket-Day," "making-up prices" are again fixed by which all unsettled bargains on the following day — "Account-day" — for securities which pass "by delivery," as it is called, shall be brought down and temporarily adjusted. This also applies to securities which pass by "deed of transfer," except bargains in securities subject to arrangement by the "Settlement Department," which are temporarily adjusted at the "making-up price" of the Contango Day.

M and N. Interest or dividends payable semi-annually, May and November.

M and S. Interest or dividends payable semi-annually, March and September.

M. A. N. F. May, August, November, February; interest or dividends payable quarterly, beginning with May.

Manhattan. Manhattan Ry. Co., of New York City. Leased to the Interborough Rapid Transit Co.

Manifest. The invoice of a ship's cargo, and the names of the party, or parties, to whom it is destined.

Manipulation. Putting up prices by virtue of ability to do so; tempting the public by the "insider" to the end that shares may become the property of the unwary ones who fancy they are becoming partners with the "insider." The art consists of making others think they are getting your money while in reality you are getting theirs. In the "manipulation" of the stock market, prices may be made to change, not in the direction in which a legitimate investor would naturally expect, judging from existing conditions, but in the direction in which it will best serve the interests of a particular person or group of persons. The market is then said to be "manipulated."

Business prosperity and low money rates favour the "manipulator."

Dow says: "Generally speaking, manipulation in a new property is for the purpose of selling; in an established property, bull manipulation is usually discounting some favourable news which insiders are holding back. Bear manipulation . . . discounting something which is unfavourable.

"In a broad sense, trading on the Stock Exchange represents the operation of supply and demand as applied to securities. Ordinarily, however, a comparatively small part of the business is done by investors. The larger part is the outcome of professional trading and of the manipulation that is carried on by large interests to accomplish desired results."

In the words of Nelson, "He will issue buying and selling orders in the same stock at the same time, and cover his tracks with the skill of an Indian."

"Wash sales" and "matched orders" are some of the artifices which the manipulator makes use of.

Manual Exchange. In relation to investments, the actual exchange of one security for another. A practical illustration would be the case of a city, limited by law to a certain indebtedness; such limitation practically having been reached, and an issue of the bonds maturing which the city wishes to replace (refund) by another issue. To sell the new issue and with the proceeds take up the old, might, for the time being, result in the city's exceeding its debt limitations, thereby invalidating the new issue of bonds. In order to overcome this point, the new bonds must be exchanged for the old, proper affidavit being taken certifying to the fact. By this method the two issues are not outstanding at the same time, and a "manual exchange" of the securities has been accomplished.

Manufacturing Aid Bonds. See "Railroad Aid Bonds."

Maple Leaf. Chicago Great Western Railway Company.

Margin. "Buying stocks upon a margin," — a much used expression and a much abused custom. One of the dictionary meanings for "margin" is an edge or border, and from that has arisen its use in stock exchange transactions, originally meaning the difference between the actual amount of money paid for a given security and the amount which the broker is willing to furnish to his customer towards "carrying" it; but now used to describe the actual amount of money deposited by the purchaser with his broker. If he were to buy the stock outright and receive delivery of a certificate, a customer could buy only ten shares (par value $100) selling at par, but by going to a broker who does a "marginal business," so-called, he can largely increase the number of shares purchased. The broker would probably buy one share of stock for each $20 offered by the customer. A thousand dollars, therefore, would furnish sufficient margin for the purchase of fifty shares. The actual transaction in a legitimate broker's office is, that he purchases fifty shares of stock, we will say, at $100 a share; charging the client the regular commission for buying. The stock is delivered to the broker made out in his name, not in the client's, or "transferred in blank," and it is held as collateral security, so to speak, for the loan, which is really what it amounts to. It is understood that the customer will furnish more money in case of a market decline in the price, so that the difference of $20 per share between the market value of the stock and the amount loaned thereon to the client by the broker shall always be approximately maintained. If the stock declines five points, for example, the broker would naturally call upon the client for a further deposit of five dollars per share, or $250. If the money is not forthcoming, the broker would avail himself of his privilege of selling the stock before the margin was entirely exhausted. The transaction would be closed with the client, as follows:

Original cost of stock plus buying commission $5,007.50, selling stock at, say, 95, less selling commission of $7.50 — and transfer tax of $2.00, — $4,740.50. Loss in transaction, $267, which would leave to be returned to the client out of his margin of $1,000 — $733, less also the amount of interest charged by the broker upon the money furnished during the transaction.

Had the stock advanced in price and been sold at a profit, there would have been no calling for a further deposit of cash from the customer, and all would have ended happily.

The idea of buying upon a "margin" is, that with a given amount of money a greater number of shares of stock can be purchased than as if bought outright; therefore, if the stock advances, there is a greater profit. The unfortunate side is, however, that if the stock declines the loss is also proportionately large.

This is one of the features of so-called stock speculation, and where it hits the hardest is on the part of persons who have not sufficient reserve capital to take up and pay for the stock in case of a decline, and when it might seem desirable to take the stock outright by paying the broker the entire amount of the loan, and thus wait for a more favourable time when it might, again, be sold at cost or possibly a profit. Take it when a stock has rapidly declined in price on account of some political unrest, or for a cause of lesser moment, when the decline is really no reflection whatsoever upon the intrinsic value of the security; it is in such cases where there is no reserve capital that "margins" are actually "wiped out," as the expression goes, and the speculator is perhaps seriously distressed.

There is "marginal buying" on the part of people of large means who are at any moment prepared to take up and pay for the securities in case of necessity, but whose money, perhaps, at the time of wishing to make a purchase in the stock market may be well and desirably invested in securities, which, in turn, are in the safe deposit box. The man of means, buying stocks at this time, very likely expects to buy for an anticipated quick rise in the stock market, and would make a "marginal" purchase temporarily rather than dispose of well-thought-of investments already owned. Such men, in case of necessity, can sell these securities and take up and pay for the stock "margined," or use them for increased "margins," and it is only this class of people who can safely carry stocks in this way.

It is the other sort of business which has been the cause of many stock exchange failures. When a brokerage house is carrying a large amount of securities for its customers on "margins," some sudden panic seizes the market and the stocks fall in value so quickly that it is impossible for the broker to sell before the "margins" are wiped out.[1] For instance, supposing a large amount of stock is "margined" at 10%. Panic seizes the stock exchange and there is

[1] A broker selling out his customer must proceed with caution, first demanding more margin, and, if that is not forthcoming, being careful to give due oral or written notice before selling the securities. The law calls for a strict accounting in such proceedings.

A recent New York decision of the Court of Appeals has decided that a stock broker must give a customer formal notice of the time and place of the sale of stock held on "margin" for such client, or he cannot recover any loss which he may sustain in the transaction.

practically no chance to dispose of the stock before it has fallen, say, 20%. This rapid decline not only uses up the 10% deposited by the customers, but the broker has lost 10% unless he in turn can collect it from his clients. The inability to so collect, or to get his clients to put up further " margins," may result in disaster to the broker. In such cases as this the customer loses all the money he has deposited as a " margin." It must be remembered that the broker, in turn, is probably borrowing large sums to obtain sufficient funds to handle such quantities of stocks as a " marginal business " requires. The banks call upon the broker for more " margin; " the broker upon his clients; the clients cannot produce it; the broker in turn is unable and failure results. (See also " Bucket Shops.")

Whereas $20 is the amount of " margin " per share referred to above, and is probably the average amount required, the figure is a very movable one. Some brokers require a larger figure than others; stock selling around $200 would probably call for $40 per share; the usual intent being to maintain not less than 20% of the market value. Some stocks the better class of brokers would refuse to " margin " at all, and stock selling at a low figure, say around $20 per share, would be " half paid for " if " margined " at $10. That figure is obviously too high at such a time. Not only is the amount of " margin " demanded dependent upon the grade of the security, but its marketability. The privilege of calling for a greater " margin " is always reserved to the broker.

The charge made by brokers for carrying marginal accounts varies greatly, depending upon what interest they, in turn, have to pay on their own loans. Perhaps 5% to 8% is the average rate, but it depends very much upon the security. Naturally, taking an extreme case, 8% would ordinarily be too great a rate to charge for carrying government bonds. The rate depends upon whether the account is active or inactive. Where a man is trading from day to day and the broker is getting the benefit of the commissions, the inclination would be to charge a lesser rate of interest than on an inactive account, where a purchase or sale may not occur for a month at a time. In some instances accounts of people in not very good standing, or who deal in very speculative securities, 6 to 8 % may be the minimum. In any event the " carrying " charges, in the long run, are quite profitable to the broker, as he intends to charge about 1% more to his customer than he, in turn, has to pay for the accommodation. In the event of higher money rates, he naturally advances the rate to the customer. Most stock exchanges do not allow the charging of a lesser rate than the average which the broker himself is obliged to pay on all his loans. As an offset to the carrying charges the customer is always credited with dividends declared or interest paid upon the securities purchased.

The rules of the London Stock Exchange do not permit of dealings on "margin."

Mark. (Reichs-mark.) The German monetary unit of value, equal to $.238 United States money; also a Finnish coin equivalent to $.193 our money.

On the New York stock exchange $1.00 is reckoned as the equivalent of 4 German marks, although there is an actual difference of $.048, which must be considered in quoting securities affected thereby.

Marked Check. It is not uncommon for a depositor to have an agreement with his bank that every check drawn by him shall bear a certain private mark, supposedly known only to himself and the bank, as a safeguard against forgery; no checks to be honoured by the bank unless bearing this mark.

This is not entirely advisable, however, as an intending forger once learning of such a mark can with greater ease than otherwise effect a forgery.

Market. In general the meaning is the predominating feeling as to values. We say the market is high or low, by which we mean the price, or rate of, purchase. When, however, we use the expression, "sell in the market," we mean more the place of sale, without reference to the rate or price; but, to "sell at the market," means to sell at the best price obtainable, and, in that instance, would have reference to the rate, or price, rather than the place.

In speaking of the "money market," the prevailing rates at which money can be borrowed is understood. If the "market is bad," it means that prices are low and purchasers not easy to find. The word "market" is in such constant use in talking financially, that almost an endless list of expressions could be cited, making use of the word, but its general application and meaning is as set forth above, from an understanding of which it should be easy to interpret its meaning however used.

Market Off. "The market on U. P. is off five points the last hour:" indicating that the price declined to that extent within the hour.

Market Orders. Orders to buy or sell at the best obtainable prices after receipt of the orders.

Market Prices. Prices which are actually being realized; prices which are current at the time and obtainable, or approximately so.

Market Value. The "market value" of a security at any given time is the price which it will (probably) bring if sold, or the price at which a security can (probably) be bought.

Marking Down Rates. Lenders of "call money" notify the borrowers of a decrease in interest rate.

Marking Time. A waiting, hesitating condition of the market.

Marking Up Rates. A notice to the borrowers of "call money" of an increase in the interest rates charged thereon.

Marks. In quotations of foreign exchange (see "Exchange") "marks" is the common term used to designate exchange on Berlin, the same as we say "francs," referring to exchange on Paris.

Mark Signature. The general custom is, when it is necessary for a person unable to write to sign his name to any legal instrument, that he must make a cross — mark — and then some other person, who saw him do so, must write his name for him near it, in his presence and in this manner:

his
PAUL X JONES
mark

and then sign his own name as a witness.

In California it is necessary to have an additional witness, and they must make and sign a statement in form substantially as follows:

Paul Jones being unable to write, he made his mark in our presence, and Richard Black wrote Paul Jones' name at his request and in his presence.	PAUL X JONES.

RICHARD BLACK.
PETER SMITH.

Matched Orders. These are used to "manipulate" the market as by giving orders to buy and to sell the same stock at the same price an artificial activity is given, and likewise changes in prices effected. (See also "Cancelled Trade.")

Maundy Money (or Maundy Coins). Special pieces of metallic money of small denominations struck off yearly in Great Britain and distributed by the Almoner of the English Sovereign to certain people who, on Maundy Thursday (the day before Good Friday), attend service in the Chapel Royal, at Whitehall.[1]

Mayflower. Mayflower-Old Colony Mining Co. (Copper.)

Mechanic's Lien. A lien on real property (see "Lien")

[1] Century Dictionary and Cyclopedia.

which the law allows to mechanics and labourers for work done, or to those supplying materials, in the construction of buildings or improvements to real property. A lien of this kind should always be recorded in the Register of Deeds' office the same as a mortgage. In buying property, or taking a mortgage on the same, the non-existence of "mechanics' liens" is one of the things to be ascertained. In some States, such liens as the above would precede any claim of the contractor; in others, just the reverse. A mortgage put on a property under improvement — "building mortgage," so called — would, in many States, have prior claim to any "mechanics' liens" afterwards recorded.

In most States, these liens can be enforced against the property by the unpaid employees of a builder or contractor even though the owner has paid the builder or contractor in full. Consequently, all building contracts should provide that the last payment be retained until the time for filing "mechanics' liens" (usually thirty days) has expired, as, otherwise, the owner may be compelled to pay the employees after paying the employer.

Meet. To fulfil one's promise or agreement when it matures. White's note for $1,000 falls due Jan. 1st; he "meets" it by paying it.

Melon. "Cutting a melon;" a division of extraordinary profits; the declaring of a stock dividend; any unusual profits received by the stockholders of a corporation. The "cutting of a melon" and getting a view of its delectable contents is a moment of great happiness to the little Southern negro; this suggests the use of the term to express a like amount of financial happiness caused by profits or dividends out of the ordinary.

Mercantile Agencies. Firms or corporations whose business it is to furnish information as to the financial standing, general business integrity, and credit ratings of individuals, firms, and corporations. (See "Commercial Agencies.")

Mercantile Bills. The same thing as "inland" or "domestic exchange," which will be found explained under "Exchange."

Mercantile Marine. The International Mercantile Marine Co. (Steamships.)

Mercantile Paper (or Loans). Notes, bills of exchange, drafts, or any negotiable paper, given by those engaged in the actual purchase or sale of goods, such as a dry goods merchant, for instance. A note given by a street railway company would not be considered "mercantile paper." All the above, however comes under the general term of "commercial paper."

Merchandising Customers' Accounts. This is a plan adopted by some of the large department stores which, in general, permits a customer to deposit any sum of money with the store, which money draws interest at, say, 4% per annum for every day it is on deposit. In some cases, interest is compounded every three months. The customer may withdraw, by check, all or any part of this money at any time, but the main object is that it permits the customer to purchase goods to a value not exceeding the amount which he has on deposit, such purchases being charged against money to his credit. Stores doing this sort of business claim to be able to sell goods at a lower price than would be the case if credit were given. From the customer's standpoint it permits him to buy goods without paying cash each time, and it is especially helpful if he makes purchases from a distance.

Mergenthaler. Mergenthaler Linotype Co. (Type-setting machines.)

Merger.[1] A consolidation; an amalgamation; a combination of two or more corporations under one management. The old meaning in law was a merging or drowning of a less estate into a greater. One of the most notable examples of its financial meaning is the International Mercantile Marine Company, which now controls so many of the large trans-Atlantic lines.

Metallic Standard. (It is necessary to first comprehend the matter under "Standard of Value.") The use of either one metal alone or of two metals together, as a standard, in a monetary system.

Mex. Mexico; Mexican money.

Mex. Cent. Mexican Central Railway Co., Limited.

Mexican Central. Mexican Central Railway Co., Limited.

Mexican Coinage Laws. In accordance with authority granted him by the Mexican Congress, President Diaz promulgated the new monetary law prepared by the Ministry of Finance, which became operative May 1, 1905. The following translation of this new law has been furnished the author by the officials of the United States Mint.

[1] "The practical difference between this form of merger and a holding company appears principally in those cases where the holding company owns not all but only a part of the capital stock of its constituent corporations. Where, as in the case of the United States Steel Corporation or the American Agricultural Chemical Company, the entire ownership of the stock of the constituent companies occurs, the holding company becomes truly a legal fiction." — "*Trusts, Pools and Corporations,*" *by Ripley.*

" Article 1. The theoretic unit of the monetary system of the United Mexican States is represented by 75 centigrams of pure gold, and is called ' peso.'

" The silver ' peso ' heretofore coined, containing twenty-four grams and four thousand three hundred and eighty-eight tenths milligrams of pure silver (24.4388) will have, under the conditions laid down by this law, a legal value equivalent to the aforesaid 75 centigrams of pure gold."

Article 2 gives the denominations and is translated as follows:

" Article 2. The ' peso ' is divided into 100 centavos, and the coins that are to be struck shall represent the following values:

" Gold coins — 10 pesos, 5 pesos.
" Silver coins — 1 peso, 50 centavos, 20 centavos, 10 centavos.
" Nickel coins — 5 centavos.
" Bronze coins — 2 centavos, 1 centavo."

The Daily Consular Report of Aug. 7, 1905, contained the following:

" Consul Canada, of Veracruz, reports that . . . the new Mexican peso will henceforth be the fixed standard of currency, and the value of all foreign coins must be expressed in equivalents of the same. In quoting the values of foreign coins the following arbitrary signs have been adopted for expressing the units of such legal currency: $, signifies standard Mexican peso; Dls., American dollar; £, British pound sterling; Frs., French francs; Ms., German marks; P., Spanish peseta; Ks., Austrian crowns.

" The foregoing signs are obligatory in all business transactions. The phrase ' peso oro,' which formerly signified an American dollar, must not be used to designate that coin, but instead of it the word ' dollar.' Exchange formerly quoted at — per cent. of the value of the Mexican silver peso must now be expressed in decimal parts of the value of the new Mexican standard peso. Whenever the standard value of a foreign coin is less than that of the Mexican 3 points decimal will be used in expressing the value in Mexican currency, and on the contrary 4 points decimal may be used."

Mexican Dollars. (The Mexican dollar is also called a "peso.") An owner of the United States silver dollar, although there is not a gold dollar's worth of silver in it, knows that it can be exchanged for a gold dollar at the Treasury at any time. In other words, this country is upon a " gold standard." Mexico has recently adopted a sort of tentative " gold standard " (see that subject) whereby it will redeem its silver dollars in gold at the ratio of two of the former to one of the latter. Recently the price of silver has so advanced that the value of pure silver in a dollar slightly exceeds one-half the value of the gold dollar, therefore, putting at least a temporary stop to such redemptions.[1]

Mexican dollars are used in many of the Eastern countries as a common form of money, and, in consquence, are used by bankers and shipped to the Orient in settlements of debts due in place of gold. The quotations of Mexican dollars appear in the newspapers and are apt to vary slightly from day to day. The Mexican silver dollar weighs about one ounce, but an ounce of silver in bullion form is quoted, for example, " Bar silver, 66½." Mexican dollars at the same time being quoted at 51¼, there being a difference of 15¼ between the two quotations. As the latter are not pure silver, allowance has to be made for the alloy.

Mexico is the largest producer of silver in the world, and views with much satisfaction an increase in the price of silver, as that country coins silver dollars especially for export. (See also last subject.)

Middleman. One who negotiates between two parties, receiving a compensation for his service. Not one who buys and sells on his own account, but, in a general sense, one who finds a customer to purchase wares belonging to another. " Middlemen " may be divided into three classes: " Agents," " brokers," and " factors." Among the first named may be included real estate agents, insurance agents, book agents, etc. Among the second, stock, cotton, wool, ship brokers, etc. The " factor " is not much used in this country, although " cotton brokers " are sometimes called " factors." One who collects rents for another may be a " factor," or one who makes a business of selling goods on a commission for the manufacturer, selling the same, usually, upon samples, and so on.

Middle Price. This is used in Great Britain, and will be understood by reading " jobber," as it is the price half way between the buying and selling prices which he makes on a security. (See " London Stock Exchange Transactions.")

Midland (or Midland Route). In America " Midland " usually refers to the Colorado Midland Railway, but abroad the Midland Railway of Great Britain is understood.

Milking. To squeeze all possible profits out of a transaction; also, by " manipulation," to profit at the expense of others.

Milling. The operation of putting the series of small cross

[1] Written before civil strife had so unsettled Mexico. No proper revision can be attempted until peace once more reigns in that stricken country.

ridges and furrows on the edge of a coin,[1] and done to prevent cutting away any of the edge.

Mill Paper. See " Corporation Paper."

Milreis. (Commonly called " reis.") The monetary unit of Brazil equal to \$.546 and of Portugal equal to \$1.08 United States money.

Mining Contango Day. See " Fortnightly Settling-Days."

Mining Securities. See Chapter II at the beginning of the book.

Minor Coins. Coins used to make small change, struck from metals other than gold or silver, and in small denominations. Our five cent nickel and one cent pieces are examples.

Mint.[1] One writer defines a " mint " as " giving official stamp and guarantee " to a government's coin, or a coin factory. The " mint " receives gold and silver bullion for coinage and performs other services for the people in connection therewith, as is more fully explained under " Assay Office." Coinage mints are now located in Philadelphia, San Francisco, New Orleans, and Denver.

The first Mint in the world was established in the City of Mexico in 1537.

Mint Mark. Our coins, except those struck at Philadelphia, bear a mark to show at what mint they were coined, as " S " for San Francisco.

Mint Office Checks. Checks drawn on the Assistant Treasurer at New York by the Superintendents of the United States Mint at San Francisco and the Assay Office at New York, and the assayers in charge of the Assay Offices of the United States at Seattle, Helena, and Boise, respectively, in payment for gold bullion deposited.

Large depositors at the offices named generally prefer to receive payment by check instead of in coin.

Mint Par. The " mint par " of an English " pound sterling," for illustration, as expressed in our system of coinage, is its intrinsic worth, or actual equivalent, in the gold coins of this country; *i. e.* \$4.866½.

Mint Price. See " Bar Gold."

Mint Remedy. See " Remedy Allowance " and " Tolerance."

Mississippi Scheme (or Company). See " Law, John."

Mixed Collateral. When a loan is secured by more than one kind of collateral (see " Collateral Loan "), as, for example,

[1] On April 2, 1792, President George Washington attached his signature to an Act establishing the National Mint, which Act was mainly the result of the efforts of Robert Morris, aided by Thomas Jefferson and Alexander Hamilton.

part railway stocks and part mining stocks, the collateral is called "mixed." A loan secured in this way is known as a "mixed (collateral) loan."

M. J. S. D. March, June, September, and December; interest or dividends payable quarterly, beginning with March.

Mk. Frequently used as the sign of the German "mark."

Mohawk. Mohawk Mining Co. (Copper.)

Monetary Standard. See "Standard of Value."

Monetary Unit. See "Unit of Value."

Money[1]. In a broad sense, any article of value recognized as a medium of exchange, but, for convenience' sake, stamped metal or paper notes issued by or under the authority of a Government. Money is merely a measure and standard of value.

Chevalier said in 1854 that metallic money is the only true money.

He defines money as "a certain commodity out of which we create an instrument that serves, in exchanges, as a common measure of value, because it is with it that, in transactions, all other commodities are compared. But it is not merely a measure; it figures in exchanges in another capacity, that of a material recompense or equivalent. . . . The definition of the word 'money' which I have given, namely, that it is at once a measure and an equivalent, is that which is acknowledged by all . . . authorities."

Gen. Walker declared that any commodity could become money as soon as it acquired a requisite degree of acceptability.

When we say that "money is easy" we mean that interest

[1] In different ages many commodities have served the purpose of money, — "tin was used in ancient Syracuse and Britain; iron, in Sparta; cattle, in Rome and Germany; platinum, in Russia; lead, in Burmah; nails, in Scotland; silk, in China; cubes of pressed tea, in Tartary; salt, in Abyssinia; slaves, amongst the Anglo-Saxons; tobacco, in the early settlements of Virginia; codfish, in Newfoundland; bullets and wampum, in Massachusetts; logwood, in Campeachy; sugar, in the West Indies; soap, in Mexico. Money of leather and wood was in circulation in the early days of Rome." — *"History of the U. S. Mint and Coinage," George G. Evans.*

In 1612 money of brass was coined in America. Coined money came into use in Rome during the reign of Servius Tullius, 578-534 B. C.

"In Tennessee, between 1790 and 1798, land was used as a kind of currency; prices were set in it, and it was transferred in payment of goods and services." — *Sumner's "Life of Andrew Jackson."*

Prescott, in his "Conquest of Mexico," states that the money in use among the ancient Aztecs consisted of transparent quills filled with gold dust; bits of tin, cut in the form of a T; and of bags of cocoa, containing a specified number of grains.

Some shell money is still in use among a few of the primitive African tribes.

rates are low, and that the borrower is easily accommodated.

Money Circulation. See "Circulation Per Capita in the United States."

Money Market. By this is understood not only the interest and "discount" rates quoted by those having money to lend, such as the banks, trust companies, etc., but those actually engaged in the business of lending it.

Money of Account. A denomination of money used to reckon in, but not actually coined. The gold dollar of Newfoundland may be considered as such, as it is not coined; the $2 gold piece and silver and copper coin of lesser denominations than the dollar are the current pieces.

Money-Orders. See "Postal Money-Orders."

Money Pools. See footnote to the subject "Pool."

Money Rates. This is a heading or term often met with in financial articles, and indicates the interest or "discount" rates quoted by those having money to lend. The price charged for money loaned.

Money to Move the Crops. See "Movement of the Crops."

Monometallism. Coinage which calls for the use of one metal only as a standard of value; a system of coinage by which only gold, or some other kind of metallic coins, are recognized as "legal tender." For example, about the year 1851 when the gold mines of California and Australia produced gold in large quantities, Belgium demonetized gold and became silver "monometallic." (See "Bimetallism.")

Monon. Chicago, Indianapolis & Louisville Ry. Co. (Controlled jointly by the Louisville & Nashville and Southern Ry. Companies.)

Monopoly. There are many different views as to the true meaning of this word. One prominent writer defines it as "a grant by the government for the sole buying, working, making or using of anything." Another — and probably much nearer the truth — "where within a certain territory all sales of a certain article, or the doing of a certain act, is in the control of a single person, or combination."

Prof. Ripley says: "If the tendency towards combination means anything, it means the substitution of centralized and consolidated management for the rivalry of independent concerns; and this may fairly be termed monopoly."

Some "franchises" are more monopolistic in character than others. A street railway or dock franchise more so than the franchise of a water, gas, or electric lighting company.

Mop. Missouri Pacific Railway Company.

Mo. Pac. (or Mopac.). Missouri Pacific Railway Co.

Moratorium. The law regards this as a legalized delay of a payment due. During the Russo-Turkish War, Russia established a "moratorium" by which the payment of private debts was suspended for a fixed period. A legislative act may legalize suspension of payment on the part of a Government bank.

After the outbreak of the World war, the "moratorium" was very generally put into force in England, France, and other countries. The payment of legal debts, of practically every nature, was suspended for a considerable period; the governments used every effort to relieve the burden of the debtor in this way, and never before was there such urgent need for the intervention.

Morgan Interests. Certain corporations partially controlled by or affiliated with the firm of J. P. Morgan & Co., consisting in part of the Reading, the Central Railway of New Jersey, Atlantic Coast Line, the Louisville & Nashville, Northern Pacific, Great Northern, Chicago, Burlington & Quincy, and the Southern Railway Companies. Also the United States Steel Corporation and General Electric Company.

Mortgage.[1] An instrument signed, sealed, and given by the borrower (or "mortgagor") to the lender (or "mortgagee"), or to a third party who holds it as trustee for the lender, by which the latter has the right to possess himself, by following proper formalities, of property described in the instrument, in case the borrower does not meet his indebtedness as set forth in the conditions agreed to at the time of creating the debt. In general, a "mortgage" is, to all intents and purposes, a legal transfer of title to property to take effect only in case the money is not paid to secure which the transfer was given. It is a method of securing to the lender certain property, in case of failure to pay on the part of the borrower. A wife must also sign and acknowledge the instrument.

A "mortgage" may be given to secure the performance of other conditions than the payment of a debt, and sometimes is.

The word "mortgage" is used to mean either the act of

[1] "Many of these documents, preserved in the British Museum, are records of deeds and the partition of real estate, but a few involve loans of silver at interest, and these become more numerous in the reigns of Nebuchadnezzar and Nabopolassar (625-604 B.C.). Loans secured by mortgage on land and guarantee bonds are among the curious commercial documents of these early times." — "*The Principles of Money and Banking,*" *Charles A. Conant.*

"mortgaging" or the instrument by which it is effected, called the "mortgage-deed." (See "Extension of Mortgage.")

Proper caution should always be taken to ascertain that the title, or legal ownership, to the property to be mortgaged is in the party giving the property as security for the debt, and for this purpose a lawyer is usually engaged. There are, however, "land title companies," also called "title guarantee companies," and "title insurance companies," which make a business of looking up titles and usually guaranteeing their validity. A paper is sometimes given showing the records of the successive ownerships of the property and of any incumbrances thereon, which is called an "abstract of title," or a "search."

If a mortgage is to cover buildings or property subject to destruction by fire, the lender should ascertain that there is sufficient insurance for his protection and that the insurance policy (or policies) are indorsed by the agent or company somewhat as follows: "Payable in case of loss to ———, mortgagee, as his interest may appear."

After the mortgage has been delivered to the lender of the money, that is to say, the "mortgagee," he should promptly send it to be "recorded" in what is called the Registry of Deeds Office at the county seat. This is to prevent a dishonest "mortgagor" giving a subsequent mortgage upon the property, and which might be recorded ahead of the first one given.

Mortgage Bond. A promise to pay in the form of a bond and secured by a mortgage on property.

Mortgage Collateral Trust Bonds. See first paragraph of "Collateral Trust Bonds."

Mortgage Debenture. This is explained under "Debenture Bond."

Mortgage-Deed. See "Mortgage."

Mortgagee. The individual, firm, or corporation, to whom property is mortgaged; the one holding the mortgage; in other words, the lender of money.

Mortgage Sale. The sale of property mortgaged as security for the payment of a debt or the fulfilment of a contract, as explained under "Foreclosure."

Mortgagor. (The proper spelling of this should be "mortgageor," but by custom the "e" has been dropped.) The person, firm, or corporation which signs or gives a mortgage against property; the one who grants the estate as security for debt; in other words, the borrower of the money. The man who mortgages his house and land as security for $10,000 is the "mortgagor."

Movement of Gold. See "International Movement of Gold."

Movement of the Crops. New York is our great money centre, and where country banks may keep one-half their lawful reserves. In addition, when money cannot be profitably employed elsewhere, it still further accumulates there as interior banks are allowed interest upon their New York deposits.

When the South prepares to harvest its cotton crop and the West its grains, a feeling of anxiety pervades the money market, for then the country banks will need to recall their New York balances to afford the planter and farmer the necessary accommodation to carry him through the harvesting and crop moving period, or to furnish the middleman the means to purchase the produce. During these periods the available supply of money for Wall Street affairs is sometimes so severely curtailed that interest rates advance sharply and possibly the stock market is affected. There is a gradual return flow of money during the winter and spring.

The call of the harvest for currency begins to make itself first felt in July in the southwestern reserve cities, for then the winter wheat begins to ripen. The country banks in Oklahoma and adjacent territory, as well as the Kansas City and St. Louis banks, experience the demand, not only for small money with which to pay the harvesters, but for loans from the middleman. As the stock of money in that section is depleted Chicago, New York, and the Eastern money centres are then, in turn, called upon. "Then, as the season progresses, and crops in various sections of the country are harvested, a flow of currency from the East to the South, to the West and to the Northwest sets in and does not cease until the cotton, corn, and wheat of the country are all marketed and the farmers' work for the season is over." [1]

Foreign countries, of course, experience this same harvest demand for money. In Austria, the Austro-Hungarian Bank is called upon to largely increase its note issues during the month of October, which in that country is the harvest month. Germany likewise feels the call during September.

The size of the harvest and the prices obtainable are very important factors. Their influences are felt throughout the land and abroad. The available supply of grains and cotton for foreign shipment may be of great importance to Europe and Asia. Good crops and good prices, so that the surplus may be shipped, mean large earnings to many railroads.

[1] Report of the Special Currency Committee of the Chamber of Commerce of the State of New York.

Crop statistics are studied with great interest by all speculators in "granger" road securities. Business throughout the land is to a great extent influenced by the yearly product of the agricultural sections. Do not forget that the United States is still, to a large extent, a farming country — nearly fifty per cent. of the people being engaged in agricultural pursuits — and that what affects the farmer affects us all.

The crops are one of the most important of all the business barometers, as by them future conditions may be to quite an extent predicted.

MTG. The "ticker" abbreviation for "mortgage."

Municipal Bond. Any legally authorized bond issued by village, township, city, county, State, or any territorial subdivision of the same, the payment of which must be accomplished through the collection of taxes, assessed upon the property embraced in the division or subdivision issuing the bond.

Read the matter under "Attorney's Opinion" and apply in the purchase of a bond of this class. Other facts to be ascertained are: The "net indebtedness"[1] — considering this from the standpoint of its ratio to the "assessed valuation" — what revenue producing property is owned, whether or no there is a sound "sinking fund" plan or other method established for the ultimate payment, rather than "refunding" the indebtedness, the past financial standing of the municipality, and the length of time since there has been — if ever — default in its obligations. If there has been one, the reason of it should be ascertained and judgment taken accordingly. Then one should consider the character of the population, and the class of citizens administering public offices, and who are likely to do so in the future. There is good reason for not buying bonds of a city cursed with frequent strikes, and dependent upon one class of industry. A city wholly dependent upon the lumber business is not a good risk, for example. Is the community experiencing a "boom?" If so, be sure that its debts are not being contracted along the same lines. Also consider the surrounding country and its resources, and the likelihood of the municipality in question growing or losing in population. There are so many things to be considered in selecting a bond of a municipality whose credit is unknown to the purchaser, that but a general idea can be given here. The circulars of bond houses set forth with much exactness most things necessary to know. They

[1] All subjects in quotation marks will be found explained under their separate headings.

should be studied with care, and thoughtful inquiry made of business conditions and resources of the place under consideration.

If the reader is entirely inexperienced in the purchase of this class of securities, then the perusal also of such subjects as "Legal Investment for Savings Banks," "Bond Values Tables," and "Net Return upon the Investment" is advised.

Upon the whole, municipal bonds are about as good a field for the safe investment of funds as any. The percentage of loss within the last twenty-five years has been but small. For this, credit is due the dealers in such securities who have been largely instrumental in improving the laws regulating their issuance in many of the States, and who have forced the municipalities to live up to them, and who have offered but little encouragement for too excessive debt creating even where legally permissable.

Mutilated Currency, Redemption of. Those desiring to have currency redeemed which has been mutilated are advised to write to the United States Treasury Department for instructions, as there are certain rules and conditions with which it is necessary to comply, and which can be had in printed form.

Mutual Savings Bank. A savings institution, all the profits of which belong to the depositors; mutual ownership. Most savings banks are of this kind, and are without capital stock. However, there are in Pennsylvania, for example, savings banks of both kinds, those with and those without capital stock.

Savings banks with capital stock are known as "stock savings banks," and the stockholders of such institutions derive their profits after the payment of the interest to the depositors.

The management of savings banks having capital stock is vested in a board of directors and officers, the same as any other corporation, but a "mutual savings bank" is managed by what is known as a board of trustees, formed by its organizers at the time of its creation, and having the power among themselves to fill vacancies.

M. & N. Interest or dividends payable semi-annually, May and November.

M. & S. Interest or dividends payable semi-annually, March and September.

N

N. The "ticker" abbreviation for "new" or "North."

Named Cities. Some of the States, having passed laws restricting the investments of their savings banks, permit the purchase of bonds of cities in excess of a given population within a certain limitation of debt. That is, the bonds of any city within those States fulfilling the general requirements are considered legal savings banks investments. There are, however, certain cities having a net indebtedness in excess of the prescribed limit, but whose bonds are considered desirable investments. These cities, therefore, are specifically named, and do not come in under the general debt limitation. Such cities are referred to by the investment dealer as "named cities."

In addition to the foregoing, certain of the States, beginning with Massachusetts in 1908, passed laws requiring their banking departments to issue, periodically, a list of cities, railroads and other corporations, whose securities are authorized investments for the savings institutions of such States. Where cities are enumerated in the lists, they are, likewise, frequently referred to as "named cities."

Napoleon. A name for the modern French gold twenty-franc piece, worth approximately $3.86 in United States money. It is a reproduction of a coin minted during the time of Napoleon Bonaparte.

Narrow Market. When there are extremely few transactions upon the stock exchange. This may be used, of course, to express the market in other commodities than stocks. A wool merchant might say that there was a very "narrow market" in his line of business, which would indicate that there was very little wool selling.

National Bank.[1] Incorporated under a charter granted by the United States Government, by which it is given authority to receive money on deposit subject to check, make loans, collect drafts, issue national bank bills — which is a form of currency, or money — and do the general business required of a bank which accepts what are known as business deposits. Discounting and negotiating promissory notes, bills of exchange, and other forms of indebtedness, buying and selling exchange, making collateral loans, etc., are among the important functions of such an institution. In a limited way, it may purchase and hold real estate. As a rule, no interest is allowed on deposits, but, of course, may be by special agreement.

[1] The query is often raised as to the right of a shareholder of a national bank to inspect its books and records. The United States Supreme Court has rendered a decision in effect that the right of inspection rests upon the primary proposition that the stockholders of a corporation own the property and that its officers are their agents, and, therefore, that a shareholder, with proper motives, may be permitted to inspect the books of such an association upon demand, and can enforce his right in the State Courts.

National banks are not permitted to have branches, which not only accounts, in a large measure, for the difference between the United States and Canadian banking systems, but for the large number of small banks which we have scattered throughout this country.

This restriction on the matter of branches, however, has been broadened under the Federal Reserve Act to permit the establishment of branches in foreign countries.

No bank in the United States, except one chartered as above, is permitted to have as a part of its name the word "National," and every such bank, likewise, must have the word "National" as part of its name.[1] This is a protection to the public, and enables every one to be assured that such an institution is safe-guarded by national restrictions.

The history of the national banking system has been marked by very few failures, from 1863 to Oct. 31, 1905, only 5½% of the total number of such associations having been closed as the result of insolvency. In nearly every case it was due to fraudulent management, or violations of the national banking laws.

Other subjects which have a direct bearing upon national banks, and to which the reader is referred, are: "Double Liability," "Gold Banks," and the following six subjects.

National Bank Call. Every national bank is required to render a report of its financial condition to the Comptroller of the Currency at least five times a year. The Comptroller issues "calls" for these reports without previous notice and may do so at any time. The condition of the banks on some given day previous to the issue of the "call," and not after, is secured. He may also "call" for a special report whenever he sees fit.

National Bank Circulation. See National Bank Notes.

National Bank Depository. See "United States Depository."

National Bank Examiner. The Comptroller of the Currency, with the approval of the Secretary of the Treasury, appoints a suitable person, or persons, to make an examination into the affairs of every national bank, who shall have power to make a thorough examination into all the affairs of the bank, and shall make a full and detailed report of the condition to the Comptroller.

[1] "There has been but one exception to this rule, that having been made in connection with the conversion, in 1864, of The Bank of North America, Philadelphia. This was the first organized bank in the United States, and the first which had any direct relation to the Government of the United States. When conversion was effected, favourable consideration was given to the request of the directors and other officers to become a national bank without change of title." — *Letter received by the writer from the Comptroller of the Currency, dated May* 7, 1906.

National Bank Loans. Among the various restrictions surrounding the subject, there is one fact always to be borne in mind by all parties in relation to such a transaction, viz., that national banks are, by law, prohibited from loaning to any one person, firm, or corporation, more than one-tenth of its (the bank's) actually paid in capital stock and surplus, but in no event to exceed 30% of the capital. The discount of bills of exchange drawn against existing actual values, and the discount of commercial or business paper actually owned by the person negotiating the same, not to be considered in the amount of such a loan.

National Bank Notes.[1] In order to increase the amount of money available for use, and at the same time produce what is known as an " elastic currency, " that is, a form of money which can be increased or diminished within certain limitations, as the exigencies demand, national banks are authorized to take out " circulation; " to issue what are known as " national bank notes," being one of the most common types of paper money in use in the United States. There must, however, be certain security behind these notes, other than the promises of the banks to pay, in order to protect the holder of such money, and thus make him willing to accept it at its face value without hesitation. The law requires that a bank, for instance, wishing to issue $100,000 in bank bills, must first secure $100,000 United States bonds. (No bank can issue " circulation " greater than its fully paid up capital stock.) Any unmatured interest-bearing United States bonds may be used, provided they are in registered form. " Circulation " may be taken out against these bonds to the extent of their full face value, and, in the case cited, $100,000 in national bank notes may be issued by the bank.[2] Should the market value of the deposited bonds fall below par, the Comptroller may demand legal tenders, or enough more bonds, to fully protect the notes issued. The United States' " promise to pay," therefore, is back of the bank notes, in addition to the assets of the bank issuing the same; strengthened by the lawful money reserve (see " Reserve ") and the

[1] Cleveland defines a " National Bank Note " as: " A promise of a national bank to pay to the holder, or bearer, on presentation, the amount named in the bill in legal-tender money of the United States — *i.e.* in gold, silver coins, or greenbacks. This makes the bank-note indirectly convertible into gold at the option of the one owning or holding it."

[2] In October, 1906, the Secretary of the Treasury announced that he would accept approved securities — meaning in general thereby, railroad bonds which are legal investments for savings banks in Massachusetts or New York — other than Government Bonds, for United States deposits, to the amount of $18,000,000 with the understanding that the United States Bonds thus relieved should be used as a basis for increased circulation. Any bank taking out such circulation was required to retire the same between March 15th and August 10th, 1907.

5% redemption fund. (See "Five Per Cent. Redemption Fund.")

This has provided us with a safe and sound currency, circulating throughout the country without discount or distrust. It is immaterial in what part of the country the issuing bank is located, whether it is solvent or has gone into the hands of a receiver, the United States is virtually behind the notes, and pledged to redeem them.

The Government does not allow a greater reduction in the total amount of "national bank notes" outstanding than $9,000,000 in any one month. This does not apply in the case of bonds called for redemption, for notes secured by such bonds may be retired. This provides against too great a contraction in the currency. It further provides that every bank must deposit with the Treasurer of the United States a certain amount of bonds, but not less than $50,000, according to the amount of its capital stock. It is optional with the bank as to the issuing of circulation against them, however. That occasionally a bank has not thought it advantageous to take out circulation is demonstrated in the case of the Chemical National Bank, of New York City, which took out no circulation until the year 1907. This is a noteworthy example, because of the prominence of this old institution.

"National bank notes" shall be received at par in all parts of the United States in payment of taxes, excises, public lands, and all other dues to the United States, except duties on imports; and also for all salaries and other debts and demands owing by the United States to individuals, corporations, and associations within the United States except interest on the public debt, and in redemption of the national currency. They are not "legal tender," and must not be counted in the "reserve" of a national bank. All national banks must receive notes of other national banks at par. These notes are redeemable in lawful money of the United States by the Treasurer, but not by the Assistant Treasurers.

The Comptroller of the Currency gives the following method of ascertaining profit on circulation, taking the 2% Consols as an example:

"In calculating the profit the interest on the bonds is added to the interest received on the circulation loaned at 6 per cent., giving the total receipts on an investment in $100,000 worth of bonds as $8,000. From the gross receipts are deducted the taxes on circulation, average expenses incident to cost of plates, redemption charges, etc., and the amount set aside as a sinking fund to provide for the premium paid for the bonds, the difference being the net receipts. Assuming that the amount invested — $100,000 worth of bonds — was loaned at 6 per cent., the profit on the issue of circulating notes will represent the difference between the interest on the amount invested in bonds and the net receipts from the interest on bonds purchased and the amount received by loaning the circulating notes."

National Bank Report. See " National Bank Call."

National Debt. In this country, all outstanding obligations of every kind of the United States Government; not only the bonds of the Government, but such other indebtedness as paper money, which the Government promises to pay, less the amount of gold in the Treasury available for the payment of the same. (See " United States Public Debt.")

National Gold Banks. See " Gold Banks."

National Weather Bulletin. This is issued by the United States Weather Bureau of the Department of Agriculture, weekly, from April first to the close of September. From October to March inclusive it is issued monthly. It was formerly known as the " Weather-Crop Bulletin," but early in 1906 was changed to the above title.

The Bulletin no longer gives information regarding crops, as formerly, but devotes its attention to meteorological conditions.

Negotiable. A security which can be transferred from one person to another either by directly passing from hand to hand, as in the case of money, coupon bonds, a check made payable to " bearer " or " cash," etc., or by indorsement, as in the case of a note, check, or draft, payable to the order of a person, etc.

An instrument or security which cannot be passed from hand to hand or is not good in the hands of any holder except the one to whom it was originally issued, unless by the consent of the person or corporation issuing the same, is " non-negotiable." A mileage book, issued by a railway company, in the name of John Smith, is for his special use alone, he having no right to sell or transfer it to any other person. It is, therefore, " non-negotiable." Many railroad tickets, made out in the names of the holders and sold at a discount price, are " non-negotiable." The ordinary railroad ticket, bought at the regular rate, is " negotiable," so is the theatre ticket, but a return check given to the person who leaves the theatre during the performance, permitting him to re-enter, is not supposed to be " negotiable." A note made payable to William Black with the words " or order " omitted would not be " negotiable," because William Black would not have the right to transfer his rights to any one else. To him and him only was the note made payable.

From the standpoint of finance, the formal requisites of negotiable paper are concisely put by Francis M. Burdick as follows:

" (*a*) It must be in writing and signed; (*b*) it must contain an unconditional order or promise to pay a certain sum of money; (*c*) it must be payable at a determinable time; (*d*) it must be payable to order or to bearer; (*e*) a bill of exchange (including check) must name or indicate the drawer."

Negotiable Instrument. See " Negotiable."

Negotiable Paper. See " Negotiable."

Negotiable Securities. First read " Negotiable," after an understanding of which " negotiable securities " may be defined by stating that they are all forms of commercial paper, bills of exchange, drafts, municipal, Government and corporation bonds, and, in fact, anything that may be termed an investment security which has the requisite attributes of negotiability.

Negotiate. To sell, dispose of, transfer, barter, accomplish a transaction. To " negotiate a loan; " to make a loan, borrow money.

An instrument is " negotiated " when it is transferred from one party to another in such a manner as to constitute the person to whom transfer is made the holder thereof.

Net. A thing is said to be " net " when all possible deductions have been made from its totality, and it is at its lowest terms. This is more specifically set forth under " Net Earnings."

Net Avails. As used in the discounting of a note, it is the amount which the borrower obtains after deducting the " discount." (See " Discount.")

Net Cash. Cash (payment) on delivery, as distinguished from " cash," which in the mercantile world is often taken to mean payment in a short time, generally ten days. " Net cash " permits of no discount being taken from the face of the bill, as is often allowed when goods are sold for " cash." If the term were used, " net cash ten days," it would be understood that the payment was to be made within ten days, but no discount was to be taken from the bill.

Net Debt. See " Net Indebtedness."

Net Deposits. The " net deposits " of a national bank upon which to figure the " reserve " (see that subject) requirements, is obtained by deducting the checks which a bank holds drawn against other banks in the same place, exchanges for clearing-house and national bank notes.

Net Deposits of National Banks. The total deposits in all these banks, less the deposits of one bank in another, and any other duplications, so that no deposit will be counted more than once.

Net Earnings. The divisible income applicable to interest upon indebtedness of all classes, sinking fund, and dividends upon stock of a corporation or business industry for any stated period of time. The method of bookkeeping differs in various corporations, and unless specially noted, so that the investor may not be deceived, such items as taxes and insurance should be deducted before the amount of "net earnings" is derived. It is generally conceded proper to deduct such items and give the "net earnings" as a divisible income as noted above.

Net Income. After all costs of operating and fixed charges of every kind have been deducted from the earnings of a corporation, the balance, which is the amount available for dividends, may be called "net income."

Net Increase. "The net increase in bank note circulation last week was $668,308;" meaning, that there was $668,308 more circulation taken out than retired.

Net Indebtedness. The laws of Massachusetts, relating to the investment of savings bank deposits, give a very good definition of this term as follows:

"The words 'net indebtedness' shall mean the indebtedness of a county, city, town or district, omitting debts created for supplying the inhabitants with water and other debts exempted from the operation of the law limiting their indebtedness, and deducting the amount of sinking fund available for the payment of the indebtedness included."

Of course, this would not apply in all cases, although the usual meaning, in reference to a municipality, is the deducting of the amount of water indebtedness, if any, and sinking fund. In the case of a State, as a rule, the sinking fund is about all that can be deducted to determine the "net indebtedness." The net debt of a corporation would be the total debt less "sinking fund" or money on hand specially set aside for the payment of same. In bookkeeping it would be considered the difference between the assets and liabilities.

Net Price. The lowest price; the price less all discounts or other allowances.

Net Profits. This is used rather more in a commercial sense than "net earnings;" the latter being applied in reference to railroads, telephone companies, etc. "Profits" have more the reference to the gain arising from dealing in commodities, and is the gain in any business undertaking of the above nature after taking into consideration the capital invested in such an undertaking, all its expenses incurred in management, and losses sustained, if any.

Again " net profits " and " net earnings " (see that subject) may be used to mean one and the same thing. Or, in some instances, both terms may be used in the same system of bookkeeping, as, for instance, " net profits " to mean the earnings of the business before any losses for bad debts or such like have been deducted, and " net earnings " after such deduction.

Net Return upon the Investment. The proportional rate which the income upon any investment bears to the total cost, interest excepted, of that investment, taking into consideration the time which the investment may be outstanding before being paid off.

Stocks, as a rule, have no definite date of maturity, although there are exceptions to this; therefore, stocks are usually figured as perpetual. Bonds and most other classes of investments have a fixed time to run. In the former case, a simple illustration would be that of a stock selling at $200 per share, and paying dividends at the rate of 8% per annum; in which event the ratio of the dividend, $8, to the total cost, $200, would be 4, or, in other words, the net return to the investor would be 4%. If the stock sold at $100 per share and paid $4 per annum in dividends, the net return would be 4%.

In the case of bonds having a fixed date of maturity, the problem is somewhat more complicated, and special tables are in use to which investors usually turn to ascertain what the net return is upon an investment of that kind. It will do to take as an example a bond bearing 5% interest, and which has exactly ten years to run before maturity. If it is sold at $108.18, that is to say, $1,081.80 for each one thousand dollar bond, the net return to the investor would be 4% per annum, which is 4% for each of the ten years, and is 4% upon the entire sum — $1,081.80 — invested.

This brings up the point that, although — to use the above example — the bond costs $1,081.80, at the end of ten years, when it matures, the holder will only receive $1,000. In the meantime he will have received $50 yearly in interest. All of this $50, therefore, should not be considered as income, for a sufficient amount of it should be set aside each year to liquidate the $81.80 premium paid for the bond.

Some such expression as this is often seen: " Yielding 4% for the first ten years and 5% for all the time thereafter which the bond may run." This means that the municipality or corporation issuing the bond has the right to pay it off any time after ten years, but may not absolutely be obliged to do so until some later date, say twenty years. These are called 10-20 year bonds, or 10-20's, meaning that they are absolutely due in twenty years, but optional on the part of the issuing party to pay any time between ten and twenty years. It is not safe on the part of the seller of this bond to estimate that it will run longer than ten years. The greater the length of time which any form of indebtedness, with a fixed rate of interest, and selling at a premium, may be outstanding, the greater the percentage in interest return to the holder, at a given price; therefore, in the case of this 10-20 year bond, the seller figures the net return on the basis of its being outstanding ten years only, and, in the case cited, returning 4% to the investor. But should it run twelve years, for instance, before being paid off, the net return to the investor would be 5% per annum for the two additional years; or, in other words, the full rate of interest which the bond bears.

The shorter the length of time which a bond has to run when selling at a discount, the greater the interest return to the investor, prices being equal; just the opposite from a bond selling at a premium.

In the selling of bonds and figuring the interest return, or yield, the following rule must always be observed, if the issue is "optional," so-called, as in the case of the 10-20 year bond just mentioned.

Rule For Computing the Interest Yield Upon Optional Bonds

> For bonds selling at a premium, the interest return must be computed upon the shortest possible time which the security may be outstanding. For bonds selling at a discount, the interest return must be computed upon the basis of the greatest possible length of time which they may be outstanding.

In buying an issue of "serial bonds" (see that subject) many bidders make the mistake of averaging the life of the issue, and then, by the use of a table of bond values, basing the bids upon this average maturity; whereas, a separate bid should be computed for each maturity and then an average price taken. If bonds are bought by the first method and retailed by maturities, either a loss will result, or a lesser profit than expected.

How to compute the average life, or maturity, of a lot of bonds falling due at different intervals, is best explained by the following example.

To find, on March 1, 1907, the average maturity of

$ 5,000	(par value)	due	July	1, 1910
8,000	"	"	"	" 1, 1912
10,000	"	"	"	" 1, 1915
7,000	"	"	"	" 1, 1920

From March 1, 1907, to July 1, 1910 is $3\frac{1}{3}$ years. Likewise, for the subsequent periods the time is $5\frac{1}{3}$ years, $8\frac{1}{3}$ years, $13\frac{1}{3}$ years.

Three ciphers may be struck out of each of the par value amounts, and we have the following:

$$\begin{array}{rrl} & 5 \times & 3\frac{1}{3} = 16\frac{2}{3} \\ & 8 \times & 5\frac{1}{3} = 42\frac{2}{3} \\ & 10 \times & 8\frac{1}{3} = 83\frac{1}{3} \\ & 7 \times & 13\frac{1}{3} = 93\frac{1}{3} \\ \hline \text{Adding} = & 30 & \qquad 236 \end{array}$$

Dividing the footing of the right-hand column by the footing of the left-hand, the average maturity is obtained; namely, 7 87-100 years. (See " Bond Values Tables.")

Net Surplus. The profits which are left after paying all the expenses of operating, taxes, insurance, interest on debts of all kinds, sinking fund, if any, and dividends. As distinguished from " surplus," the latter would be before making deductions for dividends; " net surplus," after deducting dividends. Some writers figure that preferred dividends should be deducted before arriving at the " net surplus," but not dividends on the common stock.

Net Worth. The difference between what a concern owns and what is due to it, and what it owes to others, is the " net worth ;" the excess of its assets over its liabilities. Usually, intangible assets such as good-will and patents, are not included.

New. A Chicago Board of Trade term, which has reference to new grain, and is inserted in each certificate of inspection of a newly harvested crop of oats until the fifteenth day of August; of rye, until the first day of September; of wheat, until the first day of November; and of barley until the first day of May, of each year.

New Account. " For the new account;" for the next account; that is, in London, transactions which are not consummated on the " fortnightly settling-days " would be understood, by this term, to go forward into the next " fortnightly settlement."

Newfoundland Government Cash Notes. Issued by that Government in making payments on account of public works in the outlying districts of the island. Their circulation is limited, and they are not re-issued when once deposited in the Bank of Montreal, at St. John's, Newfoundland, where they are redeemable. They are in denominations of $5, $1, 80 cents, 50 cents, and 40 cents, payable to bearer.[1]

[1] Information furnished by the Bank of Montreal, Canada.

New Haven. New York, New Haven & Hartford R. R. Co.

New Jersey Collateral Inheritance Tax. As so many companies have been incorporated under the laws of New Jersey, all executors or administrators of estates of non-residents of New Jersey should bear in mind that there is a "collateral inheritance tax" levied on that part of the decedent's estate which goes by will or by intestate laws to any one not a parent, brother, sister, husband or wife or direct descendant of the decedent. This applies to the stocks of New Jersey corporations, which pass from a decedent non-resident, and relates only to the stock of the value of five hundred dollars or over; this value applying to each lot and not to the amount of the estate.

In part, the law reads as follows:

"When the transfer is by will or intestate law, of real property within this State, or of goods, wares and merchandise within this State, or of shares of stock of corporations of this State, or of national banking associations located in this State, and the decedent was a nonresident of the State at the time of his death. * * *

"All taxes imposed by this act shall be at the rate of 5% upon the clear market value of such property, * * * to be paid to the Treasurer of the State of New Jersey, for the use of said State, and all administrators, executors, trustees, grantees, donees or vendees, shall be personally liable for any and all such taxes until the same shall have been paid as hereinafter directed, for which an action of debt shall lie in the name of the State of New Jersey. * * *"

New York Balances. "Clearing-House Balances" for New York City.

New York balance — note that the "s" on the last word is omitted — refers to the amount on deposit, in New York, to the credit of a bank or other corporation, firm, or individual located elsewhere.

New York Consolidated Stock and Petroleum Exchange. See "Consolidated Exchange."

New York Consolidated Stock Exchange. See "Consolidated Exchange."

New York Cotton Exchange. Where speculation or trading in cotton goes on in New York.

This exchange was founded in 1870 and the largest of its kind in this country.

New York Equivalent. The price at which a security in New York equals the London quotation, taking into consideration cost of shipment, rate of exchange, loss of interest and incidentals. This is so accurately understood that tables are used by which the "New York equivalent" of a London quotation can be quickly ascertained, whatever the rate of exchange. All London quotations of securities dealt in in America must be reduced to their "New York equivalent" to be of any comparative value in this country. This has more particular reference to what are known as "international securities." (See also "New York Stock Exchange Usage.")

New York Exchange, Funds, or Money. (See "Exchange.") In addition to what is given under "Exchange" upon this subject, it would be well for the reader to understand that New York, being the great financial centre of this country, it is through that centre that payments are being continually made, and there is, therefore, constantly a transmitting of funds to and from that point to all other points of the country, the lines along which the streams of money flow in and out radiating like the spokes of a wheel. A check on New York is acceptable at all points, and, for this reason, New York Exchange is seldom at a discount. If it is desirable to use a check in making a payment between two country points, the best form of check to send is a check on a New York bank, as that will be most useful to the recipient.

New York Exchange Was Par at Chicago. When such a statement as this is made, it means that the demand at Chicago for exchange on New York, *i. e.* "New York funds," was just about equal to the supply; the Chicago banks carrying deposits in New York City were perfectly willing to exchange, without charge, checks against those accounts for cash or checks on local banks.

New York Method of Figuring Interest. There are several methods of computing time for which interest is figured, and fully explained under the subject "Interest."

The "New York Method," so-called, is undoubtedly the correct one and usually followed in Canada. In this case, the time of computation is based upon the actual number of days elapsed; that is to say, if a note were dated March 1st, and due July 7th, the time upon which to compute the interest would be figured as:

31 days in March; 30 days in April; 31 days in May; 30 days in June; 6 days in July. Total, 128 days.

After obtaining this result, an interest table is used based upon there being 365 days in the year, or, in other words, the yearly interest rate divided by 365 gives the rate for one day.

To be consistent in the use of this method, a 366-day table should be used for leap years, and such tables are in vogue.

New York Produce Exchange. This corresponds to the Chicago Board of Trade, and it is where transactions in grain, cotton seed oil, pork, lard, etc., take place.

New York Stock Exchange. (See "Stock Exchange.") This is a voluntary association, not corporation.

New York Stock Exchange Commission Charges. See "Commission."

New York Stock Exchange Usage. In all transactions upon the New York Stock Exchange where the face value of a security is expressed in English pounds sterling, the transactions are figured at $5.00, equivalent to one pound sterling, without regard to the "rate of exchange" or the actual equivalent in dollars and cents to the pound sterling. In all such transactions, an allowance has to be made for the actual difference arising from the "usage." (See also "New York Equivalent.")

In the same manner, on the London Exchange, United States securities are reckoned at the rate of $5.00 to the pound, Dutch at 12 guilders, French and Italian at 25 francs and 25 lire respectively, and German at 20 marks.

New 2's. United States Government 2% bonds redeemable after 1930, and known as "Consols." (See "Government Bonds.")

New 3's. United States Government 3% bonds redeemable after August 1, 1908, and known as "Loan of 1908-1918." (See "Government Bonds.")

Next to the Rails. A colloquialism used in reference to railroad securities, denoting that a particular bond is secured by a first mortgage upon the road in question.

N. F. M. A. November, February, May, and August; interest or dividends payable quarterly beginning with November.

Nickel. A small coin of the United States of the value of 5 cents, containing 57.87 grains of fine copper and 19.29 grains of nickel. "Legal tender" to the extent of 25 cents.

Nickel Coins. See last subject.

Nickel Plate. The New York, Chicago & St. Louis R. R. Co.

Ninety Day Bill. A bill of exchange (see "Exchange") may be drawn payable in ninety days after date, but it is more customary to draw them payable ninety days "after sight;" that is, after presentation. If in the latter form and drawn on England, roughly speaking, ten days may be reckoned as the time elapsed after drawing before presentation, and as the three days "grace" is allowed there on time bills, it would make a total of approximately one hundred and three days before actual maturity.

Bills of this kind are called "Nineties."

No Account. Stamped across a check to show that the "drawer" has no account at the bank against which it was drawn.

No Funds. When stamped upon a check returned from the bank at which it is payable it indicates that the "drawer" had no money to his credit to meet its payment. The letters N. F. are often used to indicate the same thing.

Nominal Assets. Although by this is especially understood property of uncertain, undetermined, or of no value, yet it is also extended to mean assets (property) of all kinds, belonging to a person, firm, or corporation. (See "Assets.")

Nominal Exchange. This takes no account of "balance of trade," and such transactions between countries; but is exchange based only upon the comparative market values of the currencies of the different countries.

Nominal Par. The actual face value of a security. See "Par."

Nominal Price. A market quotation which is not based on an actual transaction, but rather indicates the probable price which might be obtained at the time.

Nominal Rates. See "Posted Rates."

Non-Assented. Securities, the holders of which have not agreed to a certain plan, as one of "reorganization."

Non-Assessable. Stock, the owners of which cannot legally be compelled to make additional payments upon the same, in case of failure of the corporation, or for any other reason. National bank stocks are "assessable"[1] (See "Double Liability"); that is, the owners can be forced to make additional payments in case of failure. It often states on a stock certificate that it is "non-assessable," if such is the case. The State laws under which the corporation is chartered may have much to do with the assessability or non-assessability of the stock. Assessments may be made, in case it can be proved that a certain stock had not been "fully paid" when originally issued, and the existence of fraud demonstrated; provided, of course, the laws demanded the issuance of "fully paid" stock. A word of warning: do not be misled by statements that a stock is non-assessable. If the corporation becomes bankrupt it may become necessary for the stockholders to make some cash contribution to put the company on its feet again, if the stockholders would not lose their equity. Of course, they would be under no legal obligation to contribute.

In case of the shares of a transportation company, the holder of which may be liable for "assessment," considerable risk may attend the owning of the same. Some large accident might involve the company in such a loss for damages, as to call for an "assessment." This liability should always be given proper thought in buying any stock. No stock carries more than "double liability." Never "indorse in blank" a stock subject to assessment, but have it transferred to the purchasing party. (See "Transfer in Blank.")

[1] For exceptions see foot-note under "Double Liability."

Non-Clearing-House Stocks. Stocks which are not active, and which are not " cleared " is understood.

Non-Contingent Preference Stock. Described under " Preferred Shares."

Non-Cumulative. First read matter under " Cumulative." In the case of a " non-cumulative " stock, if a dividend is not paid at its regular fixed period, there is no obligation on the part of the corporation to make the amount up at any succeeding time; for instance, a given stock is known as " a 7% non-cumulative," and during the year 1904 it paid dividends at the rate only of 3%, the holder of that stock has no right to expect the additional 4% to be paid him at any future time.

All shares are " non-cumulative " unless otherwise stated. If the entire stock issue of a company is simply one class of " common " there would be no object in injecting the " non-cumulative " feature.

Non-Interest-Bearing. Securities which do not earn (pay) interest.

Non-Ledger Assets. Property owned but not appearing on the books of a business; concealed assets or profits.

Non-Member Banks. Those not belonging to the Clearing-House Association, but which " clear " through some bank which is. (See " Clearing-House Agent.") " Non-members " are subject to certain rules and restrictions of the clearing-house, such as making a weekly statement,[1] which is published the same as the member banks. Trust companies in New York are required to make a statement of their condition, so the statement of the "non-member banks " covers banks only.

Non-Negotiable. See "Negotiable."

Non-Participating Policy. This kind of a life insurance policy is one under which the holder has no right to share in the surplus earnings of the company, as explained under "Participating Policy."

Non-Taxable Investments. Investments which are not subject to taxation. United States Government bonds are non-taxable in all parts of this country, not being subject to either Government or municipal taxation.

The State laws vary greatly as to the taxation of other securities; in some States there exists what is known as "double taxation"; that is, suppose John Smith owns a piece of real estate upon which he is taxed at a valuation of $10,000; he gives a mortgage on the same property to Richard Jones for $7,000; this mortgage is taxed for that amount, making

[1] This is required in New York but not in Boston and other cities.

a total taxation upon the same property of $17,000; $7,000 of it is taxed twice.

An example of non-taxable securities is best given by selecting the Commonwealth of Massachusetts, which provides that such investments as bonds and mortgages secured entirely by real estate situated within the Commonwealth, stocks of all Massachusetts corporations, besides certain other securities especially exempted by law, are non-taxable when held within the Commonwealth.

No Par. See "Par."

No Protest. These words are sometimes marked upon a note or draft, and convey to the party entrusted to collect it the instructions not to "protest" (see that subject) if payment is refused.

North Butte. North Butte Mining Co. (Copper.)

Northwestern. Chicago & Northwestern Railway Co.

Northwesterly Receipts. Usually designates receipts of hard spring wheat of Minnesota and the Dakotas, at Duluth and Minneapolis.

Not a Delivery. Same as "Not a Good Delivery." (See "Good Delivery.")

Notary Public. One who receives a commission from the State and is empowered to take acknowledgments, depositions, administer oaths, protest negotiable instruments, etc.

Note. A written promise to pay a specified sum of money at some future time. The various kinds of notes, "demand" "time," etc., will be found explained under the several subjects.[1]

The requirements of a note are: that the amount for which it is drawn shall be clearly stated; that it shall be made payable at some determinable time; and that it shall be signed and dated. If the words "with interest" are inserted without mentioning the rate, then the legal rate of the State in which it is made prevails.

A note in the hands of any "holder in due course" (see that subject) may be voidable for either of the following reasons: if altered by the holder, or signed by a minor; and may be voidable when in the hands of the party to whom first given for the following reasons: dated and issued[2] on Sunday; if the maker was under the influence of liquor; or his signature to the note obtained by fraud.

In case a note is destroyed, lost, or stolen, the holder can legally collect from the maker.

If there is a disagreement between the words and the

[1] See also "Value Received," "Discount," "Interest to Follow," "On or Before," "Indorse," and "Collateral Loan."

[2] As a matter of precaution it is better not even to date a note on Sunday, although it is not voidable in any State on account thereof.

figures for the amount for which a note is drawn, the former governs, the same as in a check.

Always present a note on the exact day it is due and at the place specified for payment. When no place is named, it may be presented at the maker's place of business or residence. The reason for presenting a note on the day of its maturity is to hold indorsers or guarantors, if any. The liability of the maker is not lessened by a delay in presentation.

In purchasing a note which has been running some time, be sure to ascertain if any payments have been made upon it, as neglect to indorse the same upon the note may have occurred. Direct application to the maker for this information may be made if advisable. All partial payments on notes should be carefully entered upon the back of the same, giving the amount and date of payment. No signature is necessary. It is well to prefix the words " Received on the within note," " Received on this note," or some such form.

Should payment of a note not be made when due, notice must immediately be sent to the indorsers or guarantors, unless some clause is inserted whereby the indorsers or guarantors waive this right of notice.

The purchase of overdue notes is an unsafe proceeding. (See also " Protest.")

Notes falling due on Sunday, or a legal holiday, in most States are payable on the next business day. As this varies in different States it is advisable to look it up in absence of certain knowledge.

If days of grace are recognized and the last day of grace falls on Sunday or a legal holiday, the instrument is payable on the day preceding.

SIMPLE FORM OF TIME NOTE:[1]

Boston, Mass., Jan. 1, 1921

$350 $\frac{00}{100}$

Five months ______ *after date we promise to pay*

to the order of Robinson Brothers ______

Three hundred fifty ______ $\frac{00}{100}$ *Dollars*

Payable at Tidewater National Bank, Jacksonville, Fla.

Value received

No. ______ *Due* ______ *Brown & White.*

[1] If the note is to be made payable " on demand " these words may be inserted in the place of " after date," but omit the words " five months."

"Note" often is applied to money, as "bank-note," "United States note," "Bank of England note," etc.

Note Broker. One who deals in "commercial paper" or short-time evidences of indebtedness of a similar nature; the "middleman" through whom one party borrows money from another by negotiating his notes. The "note broker" either charges a commission for his services, or buys the note bearing (or discounted at) one rate of interest and sells at a lesser; the difference of interest for the time the note has to run being his profit.

Note of Hand. Same as "note."

Note Panic. In this connection "note" refers to paper money. A "note panic" results from the holders of a bank's notes losing confidence in the ability of the bank to redeem them at par. An illustration is that of the Bank of England, which has had several such troublesome experiences. During one of these "panics," when the holders of the bank's notes lost their heads and a "run" on the bank resulted, payment was made in such small money as shillings and sixpence in order to gain time.

Notes Payable. All written agreements in every form which a person has entered into, and which are held by others, and which bind such a person to pay sums of money at some future time — either on demand or a fixed date. Examples: notes, acceptances, etc. All written evidences of indebtedness held against a concern are the "notes payable" of that concern. (See "Bills Payable.")

Notes Receivable. All written agreements in every form which one person holds against others, and which bind them to pay him money at some future time — either on demand or a fixed date. Example: drafts, notes, or acceptances.

Note Teller. An employee only required in the larger banking institutions. He is the one who attends to the collection of notes due the bank, and attends to the collection of notes or drafts belonging to the bank's customers, and entrusted to it for collection. Also called the "Third Teller."

Notice of Dishonour. If any negotiable paper, such as a draft, is not paid at maturity, a written notice to that effect from the holder to the "drawer" or "indorser" is a "notice of dishonour." [1]

The form of note given above is when the interest is deducted in advance; that is, at the time of making — "discounted." If a form of note is wanted with interest payable at maturity, words may be inserted after the word "dollars," as: "with interest at 5%."

[1] Francis M. Burdick says: "A protest . . . is necessary only in the case of a foreign bill of exchange; but a notice of dishonour is just as necessary in the case of an inland bill, of a check, or of a promissory note as in the case of a foreign bill. A protest is in writing, and attested by the

Notice of Protest. See " Protest."

Noting a Bill. The writing upon a " bill of exchange," or other negotiable paper, which has not been paid or " accepted," words to the effect that it has been dishonoured. After this it may be " protested."

Not Subject to Previous Redemption (or Call.) A security which the issuer has no right to pay off previous to the date of maturity specified therein.

N. & M. November and May; interest or dividend payable semi-annually beginning with November.

O

O. The "ticker" abbreviation for offered, when accompanied by figures, as "UPO. 150" means that Union Pacific common stock was offered at $150 per share. Frequently such a combination as this is seen: "UP. 150, O. 150 " which indicates that Union Pacific was sold at 150 and more was afterwards offered at same price, but no bidder or purchaser materialized.

Oats. This is explained under "Grain," which, in a general way, covers this subject.

Obligations. This is a French term for "bonds."

Oats Pit. See " Pit."

OB. The " ticker " abbreviation for "opening of books." (This is explained under " Books Open.")

Obligation. This is a term for indebtedness, and has a very general use. Bonds of municipalities, corporations, or of any nature, may be referred to as " obligations; " so may an indebtedness of any form. (See " Direct Obligation.")

Odd Lots (or Odd-Share Lots). See " Fractional Lots."

Off. Lower prices. Also used to denote " without," as " dividend off," meaning " without dividend."

Off Coast. Vessels in port awaiting orders to discharge cargoes or to proceed to some other port.

Offer. A bid; an offer to buy. (See also " Bids and Offers.")

notary's signature and seal. A notice of dishonour may be in writing or oral, and may be given personally or sent through the mails. It may be quite informal. Any notice is sufficient which fairly identifies the instrument and indicates that it has been dishonoured. Of course, it is safer to have the notice in writing, in order to avoid any dispute about its terms."

Offered Down. Offered (an offer to sell) at less than the last quotation of the same security.

Offered Firm. There is a distinction between " offered firm " and " subject to sale " (the meaning of the latter is set forth under the subject of that heading), but in the case of " offered firm " one offers to sell another certain securities, or anything else for that matter, giving definite time for the acceptance of the offer. Or, one may make an offer, that is, a bid, that in turn will be good for a definite time; in which event it is known as a " firm bid." Anything may be " offered firm for three days," by which the intending purchaser has that length of time to decide in; or a bid may be made " firm " for that length of time, and is known as " firm bid for three days."

Official List. The London term which is the equivalent to our " List," to which refer. (See same subject in Addenda.)

Official Minimum. The " discount " rate of some of the large foreign banks, such as the Bank of England, is known as the " official minimum." (See " Bank of England Discount Rate."

Official Time. See " Hammond's Time."

Offset. Sometimes notes bear the words " without offset," meaning that if the person holding the note meets with financial disaster he cannot use the note as an " offset " against any sum which he may happen to owe the person who signed the note.

Dictionary meaning: To set one account against another; to make the account of one party pay the demand of another; a sum, account, or value set off against another sum or account as an equivalent.

O. J. A. J. October, January, April and July; interest or dividends payable quarterly beginning with October.

O. K. (or O. Ked). When marked upon a paper it signifies that it is correct to the satisfaction of the person who placed the letters thereon. He is said to have " O. Ked " it. It is said to be the abbreviation of oll korrect (all correct).

Old Lady of Threadneedle Street. Bank of England.

Old Line Insurance. Life insurance upon which the premium is fixed (see " Level Premium "); not changing from year to year, but determined once for all by the age of the insured when he makes his first payment, and which maintains a yearly increasing reserve, something like a sinking fund, to meet the claims at a given time.

Old Reserve. This is explained under " New Reserve."

On Account. A partial payment of an amount due is a payment " on account."

On a Scale. See "Buying on a Scale" and "Selling on a Scale."

On Call. This will be understood by reading "Demand Note." It has reference to money or anything "subject to call;" subject to demand for immediate delivery or payment.

On 'Change. On the stock exchange, or on any other kind of an exchange.

One-Name Bill. A bill of exchange (see "Exchange") which has only one signature and is without indorsements, and has not been "accepted."

One-Name Paper. Same as "Single-Name Paper."

On or Before. This expression is used in reference to a form of borrowing where an agreement exists between the lender and the borrower that the note shall run for a definite period, and that the lender shall not have the right to ask for a previous payment, but the borrower may have the right, if he so elects, to pay the note off "on or before" the maturity date mentioned in the note.

On Passage. Grain, or any commodity, en route upon the ocean between any two ports.

On Sale. Offered for sale.

On the Canal (on Canal). Grain which is at the time in transit on the Erie Canal.

On the Lake (on Lake). Grain, or any commodity, en route upon the Great Lakes.

On the Track (on Track). Grain, or any commodity, in railroad cars.

Open Account. The credit which one banker enjoys with another and against which he draws in "exchange."

Open Credit. See "Open Account."

Opening Prices. The quotation of the day's first sale of each security.

Open Market. Where any or all may buy and sell. A stock exchange limited to the trading of its members is not an "open market."

Open Mortgage. A mortgage under which more indebtedness can be incurred; the amount of indebtedness authorized under the terms of the mortgage has not been reached. The opposite of "Closed Mortgage."

Open Order. Meaning the same as "Good Until Cancelled."

Operating Companies. Broadly speaking, any company which is actually in possession of, and operating its own business, but in investment matters it has a more restricted sense. It refers to a company which is owned or controlled by another, but which latter, *i. e.* the "controlling company," only indirectly conducts the management of the former, which, by its own officials, under general instructions from the controlling company, actually manages its operation.

Operating Expenses. The cost incurred in operating every corporation or industry for any given period of time. It is sometimes not customary to include taxes, insurance, etc., as an operating charge, but unless a distinct separation is made of these items, so that the information shall not be kept from the investor, it is proper that they should be included either in "operating expenses" or "fixed charges." Woodlock says that taxes properly belong under the latter. Others hold that taxes are an operating expense.

The Interstate Commerce Commission has prescribed for railroad companies the following classification for "operating expenses:" (1) Maintenance of Way and Structures, (2) Maintenance of Equipment, (3) Conducting Transportation, (4) General Expenses, all of which will be found explained under the several headings.

Operating Surplus. This is the profit remaining after taking into consideration all costs of every nature of operating any corporation or business industry for a given period of time. Whether or no taxes and insurance should be deducted before arriving at the amount of the "operating surplus" depends upon the system of bookkeeping; but unless they are deducted a distinct separation should be made so that those interested should not be misled. Interest on capital, indebtedness, etc., should not be deducted before determining the "operating surplus."

Operators. Those who trade very heavily in the stock exchange or who are large buyers and sellers of securities on their own account, and whose actions more or less influence the trend of prices, are referred to as "operators." One who makes a profession of speculating may be considered under this heading.

O. P. Money. Money belonging to other people.

Optional After (or Optional Bonds). See "Net Return Upon the Investment."

Optional Bonds (or Other Securities). Bonds in which the right is reserved by the issuer to pay off at an earlier date than the actual date of maturity. A bond due in twenty years, but subject to redemption after ten years, is of this class, and would be termed a 10 / 20.

Option Day. The day on which options, that is, "puts," "calls," etc., must be declared, in accordance with London Stock Exchange rules, and which coincides with "contango day." (See that subject.)

Option Money. A payment to secure an option. See next subject.

Options. By "options" is understood either a "call," a "put," a "spread," or a "put-and-call." "Options," in reference to dealings in securities, mean the privilege of buying or selling, or a combination of buying and selling, a certain amount of securities at the expiration of, or within a given period, at prices determined at the time of the execution of the contract. In order to possess any of these rights, one must pay some other party a sum of money sufficient to induce him to take the risk of signing such a contract.

The price paid for an "option" is termed the "premium."

Orders. County, city, State, etc. (See "Warrant.") Any written instructions to pay money, as "checks," "bills of exchange," etc.

An "order" to buy or sell is given a broker. (See also the following subjects: "Stop Loss Orders," "Buying Order," "Selling Order," "Postal Money-Orders" and "Express Money-Orders.")

Ordinary Shares (or Stock). The term used in England as the equivalent of the American "common stock," but which the English often divide into two classes known as "preferred shares" and "deferred shares." (See those subjects.)

Osceola. Osceola Consolidated Mining Co. (Copper.)

O. T. On track. (See "On the Track.")

Out-Clearer. This is explained under "In-Clearer."

Outer Belt. See "Belt Lines."

Outlawed. An obligation, which, on account of the time elapsed since it was incurred, or since any payment of either principal or interest has been made thereon, cannot legally be collected, is said to be "outlawed." That is to say, the statutes of limitations provide in each State the length of time during which legal action may be taken to collect a claim; neglecting so to do within the time fixed deprives one of his right to collect. A recent court decision of interest to the holders of national bank stocks is given under the last paragraph of the subject "Double Liability."

Out-of-Town Checks. A check drawn on a bank situated without the city in which a certain clearing-house is located, is an "out-of-town check" to that clearing-house. That is to say, it is a check that cannot be collected through the ordinary machinery of that clearing-house, but must be sent away for collection.

Out-of-Town Clearings. In England, each country bank has a running account with some London bank, and all the city banks daily settle transactions with each other through the clearing-house. Therefore, the payment from any part of the country to any other part can be accomplished through London.[1] By this, supposing the reader to be familiar with the subject "Clearing-House," "out-of-town clearings" may be understood.

The "out-of-town clearing" system is also explained under "Foreign Department Boston Clearing-House Association."

Out-of-Town Item. This will be found explained under "City Item."

Outside Bank. A bank not belonging to any "clearing-house," and which does not "clear" through any other bank which is. (See "Clearing-House Agent.")

Outside Broker. One not belonging to an exchange, as, for illustration, a "curb broker," to which refer.

Outside Market. This refers to dealings outside of the regular exchange.

Outsider. Used in contradistinction to "insider," to which subject refer. The "outsider" is the occasional speculator or investor; one who does not make a profession of the same, and also who is not in a position to be in possession of "inside information," as it is called, regarding the affairs of the corporation in which he may happen to be investing.

Outside Stocks and Bonds (Securities). Those not dealt in upon the regular exchanges.

Outstanding Issue. The total amount of stock, bonds, or whatever the security may be, which a company has already placed upon the market. A company, for example, may be legally authorized to issue $5,000,000 in first mortgage bonds; suppose it should have issued but $2,000,000 of these, leaving $3,000,000 yet to be issued. $2,000,000 would be the amount "outstanding."

Over. This is a term used in Great Britain, and means 1-32 of 1% more, or above, a price. To illustrate, "over $\frac{1}{8}$," would equal 5-32.

Overbought Market. When so many have been buying securities that the amount which they have on hand is so great that it is not easy to sell, the demand for the time being having greatly lessened, the market is said to have been "overbought," and it is natural to expect a fall in prices.

Overcapitalized. A company with more securities outstanding than it is able to return interest or dividends upon. (See "Capitalization.") Meade[2] defines overcapitalization

[1] "Money and the Mechanism of Exchange," *W. Stanley Jevons.*
[2] "Trust Finance," *E. S. Meade.*

"as that condition in which the par value of the securities of a company exceeds their actual value based on profits."

Over-Certification. (See "Certified Check,") Certifying a check to an amount greater than the deposit standing to the credit of the party drawing the check. This is prohibited by law, but very largely done, nevertheless.

Overchecked. See "Overdraw."

Overdraft. See "Overdraw."

Overdraw.[1] To "overdraw" one's account. A person having money in a bank "subject to check," that is, subject to his written order called a "check," may issue such orders on the bank to pay this money out in such sums and at such times as may suit his convenience. This is called "checking out," and may continue so long as he does not draw — issue, give out — checks in total amount greater than the sum which he has on deposit. But in case he does exceed this amount, then his account is "overdrawn;" that is, he has "drawn" checks exceeding, or "over," his deposit. The amount of such overdrawn checks is called an "overdraft." Theoretically, a bank ought not to pay any "overdraft" checks, although in practice it is often done, but only when the bank has every confidence in its depositor making the sum good, and in supposition that his "overdraft" was accidental and not intended; or in case a previous arrangement had been made with the bank to allow for such "overdraft," the bank feeling secure in doing so. When an "overdraft" check is presented to a bank for payment, and the bank does not wish to pay it, nor yet refuse so to do, the depositor drawing the check is notified of the "overdraft," if possible, and the check held without action in the meantime. This is an act of courtesy on the part of the bank and gives the depositor a chance to straighten the matter out without injury to his business reputation.

"Overdrafts" are undesirable, and should be discouraged.

Overissue. When a corporation issues more of a security than it is legally permitted to, it has made an "overissue."

Overlying Mortgage. A mortgage to which some one, or more, other mortgages have prior claims; the opposite to "underlie," to which refer. (See "Junior Mortgage.")

Overnight Loan. A loan of money to be repaid the following day.

[1] The New York Courts have recently decided that a bank is not liable for a clerk's blunder for damages to a depositor. In the particular case upon which the decision was rendered, the plaintiff had a check returned, indorsed "not sufficient funds." Owing to a bookkeeper's mistake money belonging to the plaintiff had been credited to another account. The plaintiff claimed that the action of the bank injured him in a business way. The jury brought in a verdict for the defendant.

Oversold. The market is "oversold" when more securities have been contracted for delivery than the sellers are able to purchase at advantageous prices, resulting in a rising market; too many people have "gone short." (See "Selling Short.")

Over the Counter. Sales of securities directly by bankers without the medium of the stock exchanges; outside sales, as they are called, of all kinds. Used particularly in speaking of bonds.

O. & A. October and April; interest or dividend payable semi-annually beginning with October.

P

P. The sign used in the Spanish monetary system for the "peseta," as $ is for our dollar.

Pac. Pacific.

p. a. c. These letters stand for "put-and-call." (See "Straddle.")

Pacific Coast. The Pacific Coast Co. Successor to The Oregon Improvement Co.

Pacific Mail. Pacific Mail Steamship Co.

Pacific Railroads. Used in two senses. First, the railroad companies with Pacific as part of their names; *i. e.* Union Pacific, Southern Pacific, Northern Pacific, Canadian Pacific, Western Pacific, and Central Pacific. Second, the roads reaching across the country to the Pacific Ocean; *i. e.* the first four mentioned, and the Chicago, Milwaukee & St. Paul, the Great Northern, and the Atchison, Topeka & Santa Fé.

Pacifics. Railway companies with "Pacific" as part of their names, and whose securities are listed upon the New York Stock Exchange.

Paid-Up Stock. Same as "fully paid stock." (See "Fully Paid.")

Paid-Up Value. A life insurance term describing the sum of insurance, which, without further payment of premiums, should be given the insured in case of cessation on the part of the latter in payment of premiums after a fixed time. In other words, it is the value which a policy would have after a given time, as set forth in the policy, should the insured, from inability or otherwise, discontinue payment of premiums previous to the time originally contemplated in the policy. Many modern policies state therein the sums which would be the "paid-up value" of the same at different intervals.

Panama 2's. United States Government bonds redeemable after August 1, 1916, but due August 1, 1936, and known as the Panama Canal Bonds. (See "Government Bonds.")

Pan Handle. Pittsburgh, Cincinnati, Chicago & St. Louis Railway Company. Controlled by the Pennsylvania Railroad Company.

Panic. A "panic" in a theatre is the result of some fright that induces many people to lose their heads, and rush frantically to the exits to escape, having no regard for the weak and helpless or the wiser counsels of the saner-minded, who would, perhaps, accomplish the same escape from the impending danger by slower and more systematic methods. At such times, much unnecessary suffering results, caused by the very human desire of self-preservation.

In a "stock exchange panic," or "money panic," or whatever the case may be, the procedure and results in a financial way are about the same. People sell who need not have done so; sales are made which afterwards prove to have been needless; unnecessary losses result; the large majority try to do the same thing at once. There are so many more sellers than buyers — so many more people than theatre exits — that securities are sold at any prices obtainable. Failures result; prices drop to an unnatural level; all confidence is lost, and financial self-preservation is the predominating factor.

Panics are usually preceded by a period of over-speculation, inflation and straining of credit.

Paper. See "Business Paper."

Paper Money. Something accepted in substitute of metallic money; money founded on credit; a simple promise to pay bearer in coin on demand; a non-interest-bearing note dependent for payment upon the ability of the issuer to meet the same. Treasury Notes of 1890, gold[1] and silver certificates, United States Notes, etc., issued in this country, are examples. The annual cost of maintenance of the paper currency issued by the Government averages about two-tenths of one per cent. of the amount outstanding.[2]

Paper currency of all denominations and kinds outstanding in the United States October 31, 1906, as furnished by the Treasury Department, was $347,681,016, less $1,000,000 unknown, destroyed.

The first paper money issued by the United States Government was authorized by Acts passed in 1861, but this kind of

[1] Conant declares that these certificates "are not paper money in the usual sense because they represent gold coin of full value, instead of promises to pay which there may not be the ability to fulfil." And he is right, for, as Fiske says, "paper money is not real money and will not continue current when the credit on which it was based is gone."

[2] Report of the Secretary of the Treasury for 1905.

money was first issued in America when attempted by the Colonies (Massachusetts first) as early as 1690. Paper money is said to have been first issued in China about 1,000 years before Christ.[1] (See "Convertible Paper Money" and "Inconvertible Money.")

Paper Profits. Profits supposed to exist, but not yet realized. A purchaser of a certain stock at $90 per share may estimate that he has made a profit of $10 per share upon its advancing to $100, but he cannot be certain of the fact until the stock has been sold. He has only a "paper," or supposed profit, until such time.

Par. State of equality; equal value; equivalence without discount or premium.

The usual meaning of "par" is 100; that is, a share of stock, for example, which bears on its face the statement that it represents a value of $100. In practice "par" is used in a broader sense, for the "par value" differs in various securities. Bonds are in denominations, varying from fifty cents (as were once issued by a Western City) to very large amounts. Pennsylvania Railroad stock represents shares of $50 each; the Grand Trunk Railway Co. of Canada, £100 ($486.66); many manufacturing stocks are for $1,000 a share; some bank shares likewise; many mining stocks represent shares of ten cents, twenty-five cents, one dollar, etc. So "par," as used in the financial world, really means the actual face value of any security, without regard to its denomination. This is often confusing to an investor, from the fact that a stock may be quoted at "ninety," which has a "par value" of fifty, and which is, therefore, quoted at forty dollars premium, whereas the investor, not knowing its "par value," may think it below "par;" really, the stock is quoted at 80% above "par," for if its parity were changed to 100 (or two shares made into one) its quotation of 90 would equal 180. This often misleads the unposted into buying a stock ("because it is cheap") thinking it is selling at a discount, when it really is at a high premium. A certain one of our copper stocks some years ago, with a "par value" of $25 was selling at $150, and looked much cheaper to investors (or speculators) at that price than at 600, which, in percentage, was its real selling price. Many a purchaser of that stock would have hesitated if he had realized that it had already advanced five hundred per cent. in the market and was selling at six times its original capitalization. A capital of $5,000,000 becomes quoted at $30,000,000 in this way. Mining stocks are often issued in shares of low denominations to permit of just this deceiving of the unwary.

In buying a security, ascertain the actual par value in dollars

[1] "The Work of Wall Street," by *S. S. Pratt.*

and cents and then calculate its selling price on the basis of a par value of $100. This will show the ratio between the original capitalization of the security and the quoted market value of the entire issue of such security.

Another important matter to remember is the difference between the rules of the different stock exchanges in relation to " par." The following will give an idea as to this:

A number of states (including New York, Pennsylvania, West Virginia, Virginia, Maine, Massachusetts and New Hampshire permit corporations to issue common stock having no par value. This movement is growing and is meeting with considerable favor as it does away with the element of deceipt.

Parent Company. A corporation controlling or owning other companies. The United States Steel Corporation is a " parent company." The Carnegie Company, the Federal Steel Company, etc., integral parts of the larger corporation, are " subsidiary companies."

Paris Bourse. The Paris Stock Exchange. The full title is " The Company of the Paris Bank, Exchange, Trade, and Finance Brokers."

Paris Money. Rates asked for " call " and " time " money at that point.

Paris Private Discounts. The rate at which firms or individuals of known good financial standing can borrow in Paris, *i. e.* the rate at which their paper will be discounted.

Parity. Equal to; a similarity existing. The equivalent in price of the same security quoted in different markets after making allowance for different methods of quoting or other factors.

Parity of Silver. On the present standard U. S. ratio of gold to silver (1 to 15.988) pure silver must be commercially worth $1.2929 per fine ounce to be at a par with gold. $1.2929 is, therefore, called the " parity."

Par of Exchange. The relative value of the money in one country to that of another, taking gold bullion of an agreed " fineness " as a basis upon which to figure. As between this country and Great Britain, $4.866+ is taken as the " par of exchange," by which is understood that the English " pound sterling " is the equivalent of $4.866+ in United States gold coin. In other words, that the bullion value of our gold dollar and the English gold " pound " is as $1. to $4.866+.

Par of Sterling Exchange. The equivalent of the pound sterling (£1) in United States money is $4.866+ ($4.867).

Parquet. See footnote under "Agent de Change."

Participating Bond. One which, while secured by a mortgage on a specific property, provides that the holder shall share in the profits accruing to the issuing corporation through ownership of the shares in other corporations, and which may or may not be additionally secured by the deposit of such securities. A good illustration is that of the Oregon Short Line 4% Participating Gold Bonds, which were issued in 1902. These were a direct obligation of the Oregon Short Line Railroad Company, but were additionally secured by the deposit of the stock of the Northern Securities Co., par for par, to the amount of the bonds issued. The bonds themselves were to receive 4% per annum from August 1, 1902, until February 1, 1904, on which date, and on the first day of February of each subsequent year, they were to receive, in addition to the regular payment of 4% per annum, an amount equal to any dividends and interest in excess of 4%, upon the amount of outstanding bonds, that had been paid in cash during the preceding year upon the collateral deposited with the trustee as security against these bonds. This issue was called for payment some time since.

Participating Policy. A participating life insurance policy is one under which the holder shares in any surplus earnings of the company, receiving them in the form of cash dividends, or in additional insurance, at the option of the insured.

Parti-Mortgage Receipt. A certificate issued by a company holding the papers in a mortgage showing the holders' proportionate ownership in the loan which the mortgage secures. This is done when a mortgage-note is of such large amount that to find one purchaser for the whole would be difficult or impossible.

Parting. The separation from bullion of any silver which it may contain, so that the gold and silver may be obtained in the form of separate bars.

Partnership. See "Firm."

Partnership Agreement. See "Firm."

Part-Paid Stock. Stock which the owners, as shown upon the stock books of the company, are liable for further payments; or stock upon which the subscribers have not paid their subscriptions in full.

Par Value. See "Par."

Pass a Dividend. A dividend is passed when it is not paid at the regular expected time; when a corporation ceases paying dividends, without a formal vote so to do.

Pass-Book. See "Bank-book."

Passenger Density. The total number of passengers which a railroad carries one mile divided by the number of miles of line operated. (See "Freight Density.") The Interstate Commerce Commission concisely expresses the "passenger density" as the "passengers carried one mile per mile of line."

Passenger-Mile. The movement of one passenger one mile. It is taken as the unit of cost and service in passenger transportation. (See "Ton-Mile.)

Passenger-Mile Cost. This is the cost of carrying one pasenger one mile. (See "Ton-Mile Cost.")

Paul. Chicago, Milwaukee & St. Paul Ry. Co.

Pawn. In Great Britain the word is used as the equivalent of our depositing collateral as security for a loan: they "pawn" the security; we "pledge" it. We apply the word "pawn" only in the sense of a transaction with a "pawnbroker."

Payable in Exchange. If a draft or other instrument is made "payable in exchange" it means that it calls for payment in funds of the place where issued; that is to say, if a man in New Orleans draws a draft on New York "payable in exchange" it means that the one against whom it was drawn in New York must pay it with a check (exchange) on New Orleans, in other words in New Orleans "funds." (See "Cashier's Check.")

Payable in Gold. Bonds, notes, etc., in which the borrower agrees to pay the principal or interest, or both, as the case may be, in gold. In this country, the wording of such a promise usually reads "payable in gold coin of the United States of the present standard of weight and fineness." Such wording is desirable, as it provides that the borrower shall pay in coined gold of the United States, fulfilling the requirements of the standard coining laws as at present enacted, eliminating the danger arising from any future laws passed of lesser conservative nature during the life of the investment. (See "Standard of Weight and Fineness.")

Payable in Lawful Money. Bonds, notes, or other evidences of indebtedness, in which the borrower agrees to pay principal, or interest, or both, as the case may be, in "lawful money" of the United States; money which the Government declares to be "legal tender" (to which subject refer).

Payable Only through the Clearing-House. After the reader has familiarized himself with "Clearing-House Loan Certificates," and the reasons for their issuance, it will be understood that the banks in times of financial distress have need to hold on to some actual cash. As a result, in such instances, checks are sometimes accepted in lieu of cash, such checks being stamped: "Payable only through the Clearing-House," "Through the Clearing-House," or with words having similar import. Banks being legally required to pay checks on demand in money which is "legal tender," it is but a matter of accommodation for a person to accept a check stamped as above, but by so doing he satisfies the law as regards "legal tender" payments; although, by insisting, he could compel the bank to pay him the cash, and for such emergencies some money must be actually retained in the vaults of the institution.

If the reader will understand by referring to "Clearing-House," the methods by which the differences between banks are there adjusted, it will be seen that by pursuing the method of not paying the check at the time of presentation, but by postponing its payment until the "clearing-house" hour of the following business day, that the money necessary to effect its settlement at least once would not be called for, and that possibly no money at all would be needed. The differences between the banks ultimately adjust themselves through the machinery of the clearing-house.

Payable to Bearer. A negotiable instrument, such as a check, may be drawn so as to be good in the hands of the bearer without regard to the person so long as the bearer is a bona fide holder. Such checks may be passed from hand to hand without indorsement. (For further information on this subject refer to "Check;" also see next subject.)

Payable to Order. A negotiable instrument such as a check is drawn payable to some person or to the order of such person; that is, for example: "Pay to the order of Thomas West," or "Pay to Thomas West or order." Such an instrument must be "indorsed" (see "Indorse") to be good in the hands of other than Thomas West. (For further information see "Check.")

In order that an instrument may be negotiable it must be made "to order" or "to bearer;" that is, if drawn payable simply to Henry Adams, he has no right to transfer it, and it is payable to him only. Other words of similar import may be used, but they must be the equivalent of "to order," or "to bearer" to convey the power of negotiability.

Payable with Exchange. When a draft has appended the words "with exchange" or "payable with exchange" the person paying the same is understood to pay the cost of the collection as well as the amount of the face of the draft.

Pay-Day. The last of the "Fortnightly Settling-Days" of the London Stock Exchange. (See the subject in quotations.) Also called "Account-Day" and "Settlement-Day." This is the settling-day proper; when the accounts are settled between the brokers and bankers for securities purchased, and delivery is made of the same; or, providing delivery is not made, but the securities are carried over to the next "settlement," the differences required to balance accounts are adjusted. In short, transactions are brought either to a final adjustment or so settled as to carry them forward to the next fortnightly account.

Payee. The person (firm or corporation) to whom a note, draft, etc., is made payable. In the case of a note, the "payee" is the one to whom the promise to pay is made. (See "Draft.")

Payer. The person (firm or corporation) who pays a draft, note, or similar paper.

Paying Teller. See "Teller." Also called the "First Teller."

Payment Bill. Same as a "Bill for Payment."

Payment Stopped. See "Stop Payment."

Pegged. A security is "pegged" when one or more persons so control the buying or selling that they are able to prevent the prices rising or falling below a certain fixed point. The A B C of Wall Street says: "A stationary market, neither declining nor advancing, and held by buying or selling orders, is said to be pegged."

Pence. The plural of "penny."

Pennsylvania Interests. Certain corporations directly or indirectly in the control — or partial control — of the Pennsylvania R. R. Co., or its subsidiary companies, some of which are the Long Island, the Norfolk & Western, the Pittsburg, Cincinnati, Chicago, & St. Louis, and the Cleveland & Pittsburg R. R. Companies. The Pennsylvania R. R. Co. has already sold its Baltimore & Ohio holdings,

Penny. A coin of Great Britain equal to 1-12th of an English shilling, or about two cents United States money. We also call our own one cent piece by the same name.

Per. The Latin for by, as "per annum," meaning "by the year," etc.

Per Capita Debt. See "Debt Per Capita."

Per Cent. (Per Centum). Meaning, literally, by the hundred, but used, in practice, as the equivalent of "hundredth." 6% means six one-hundredths or $6.00 on the $100.

A dividend of 1% would amount to $1.00 upon a stock of the par value of $100, but where the par value is only $50, a 1% dividend amounts to but 50c. and, likewise, it would be but 25c. where the par value is $25. In this latter case, for instance, a 6% dividend would call for but $1.50.

Per Cent. Grade. See "Grade."

Per Pro (or Per Procuration). A signature by an agent having limited authority usually contained in a power of attorney. A letter signed,

Per pro White & Co.,
Charles Black,

or

James White & Co.,
per pro Charles Black,

is an example. The latter is the more correct method of signing, although the former is in more common use among merchants. This phrase is sometimes still further abbreviated as "p. p."

A signature of this kind is considered of itself an announcement of limited authority, a statement of the limitations of which will be furnished on request. Persons accepting instruments signed in this manner without investigating the authority of the agent signing them do so at the risk of afterwards discovering that the agent has exceeded his authority.[1]

Personal Check. A check drawn by a depositor, as distinguished from a check drawn by a bank. Sometimes used to indicate a check drawn against a "country bank."

Personal Property. All movable property; horses, tools, furniture, "chattels" of all kinds (crops of annual planting, such as potatoes, are usually treated as "personal property," but would pass with the sale of the land if growing thereon), securities, etc., as distinguished from "real property," to which refer.

Personal Security. Any property such as described under "personal property" when given to secure the payment of a debt, or the fulfilment of a promise.

Peseta. The monetary unit of Spain, and equivalent to the French "franc," or $.193 United States money.

Peso. The gold "peso" is the unit of value of the Philippine Islands, and contains 12 9-10 grains of gold, 9-10 fine. Silver "pesos," of the weight of 416 grains and of the standard, by weight, of 900 parts pure metal and 100 parts copper alloy,[2] have been coined for current use, exchangeable on the basis of the "gold exchange standard" — to which subject refer —

[1] "A signature by procuration operates as notice that the agent has but a limited authority to sign and the principal is bound only in case the agent in so signing acted within the actual limits of his authority." — *Revised Laws of Massachusetts, Chapter* 73, *Section* 38.

[2] In December, 1906, owing to the rise in the market price of silver, the silver peso was changed so as to contain 800 parts of pure metal and 200 parts of copper alloy, and of the weight of 308.64 grains. This was necessitated from the fact that the pure metal under the previous standard was worth more in the market than the face value of the coin, making it an object, therefore, to melt up the coins and sell the silver as bullion.

at the rate of two silver "pesos" for one United States gold dollar. They are legal tender for all debts, public and private, unless otherwise specifically provided in the contract (except such as were contracted prior to December 31, 1903) in the Philippine Islands. Subsidiary silver coins are legal tender there to the amount of $10. (See "Centavos.")

"Peso" is also the monetary unit of the Argentine Republic, being equivalent to $.965 United States money. Also Guatemala, Honduras, Nicaragua, and Salvador, being in each case equivalent to $.478 United States money.[1] Of Chile, being equal to $.365, and of Uruguay, being equal to $1.034 United States money.

The Mexican dollar is also called a "peso."

Petty Cash Book. In bookkeeping, a book in which small items of cash expenditures, postage stamps, telegrams, and the like, for example, are entered, to be later summed up and entered in another book as one item.

Pf. (or Pfd.). Preferred.

Pfennig. One one-hundredth of the German "mark," which is their monetary unit. The pfennig is equivalent to nearly one-fourth of a United States cent.

Philadelphia Plan. (See "Equipment Trusts.")

Philippine Bonds. The bond issues of the Philippine Islands have been by authority of Congress. The United States, however, is not legally responsible for their payment, they being obligations of the Philippine Islands only. By an Act of Congress these bonds are exempt from taxation throughout the United States.

Phœnix. Phœnix Consolidated Copper Co.

Piaster. The unit of the Turkish monetary system, and equivalent to $.044 United States money. The Egyptian "piaster" is one-hundredth part of their pound, and is equal to $.04943 United States money.

Pie. See India Money Table under "Rupee."

Pig Iron. This is the iron as it is extracted from the ore. As it comes from the blast-furnaces it is run into moulds in sand, which produces small masses of convenient size for commercial use.

Piker. One who trades in very small lots of securities.

Pinch. "Money pinch;" a sudden rise in money rates; difficult to borrow, and then only at high rates. A "pinch" rather implies a short duration of such conditions, however, and not very serious.

[1] These last four countries are on a silver basis. Therefore, the value as given here, which is taken from the Circular issued by the Director of the Mint, April 1, 1906, is subject to fluctuation with the market price of silver.

Pinched Out. A vein of gold, for illustration, is "pinched out" when it narrows up to a non-paying degree or disappears entirely.

Pine Tree Money. During the last half of the 17th century silver coins of the denomination of a shilling and under were coined in Massachusetts, having upon their face a device of a pine tree. At first the larger denominations were referred to as the "Boston Shilling" or the "Bay Shilling," and later were known as the "Pine Tree Shilling."

Pine Tree Shilling. See "Pine Tree Money."

Pinholed. Certificate of stock having had a memorandum (or many of them) pinned to it. The more holes the greater the number of times it has probably passed from hand to hand.

Pipe-Lines. A system of piping, mostly underground, through which oil is pumped in order to transfer it from the producing region to the storage-tanks at either a distributing market or a refinery. Some of the "pipe-line" systems cover hundreds of miles of territory, and permit the transportation of oil at a low cost. The "Rate Bill," which has passed Congress, includes such "pipe-lines" as these under the heading of "Common Carrier."

Pit. In the Chicago Board of Trade there are four portions of the building, which are set aside exclusively for dealing in: First, grain; second, wheat; third, oats; fourth, provisions. These are called the "Pits." Each one is in charge of an official of the Board of Trade, who notes the changes of prices as they occur, and who also notes all transactions which are settled on the basis of the official price at the hour in which they occur. The "Pit" is equivalent to the "Post" in the New York Stock Exchange.

Pit Traders. These are to the Chicago Board of Trade what the "room traders" are to the stock exchanges; *i. e.* brokers who trade in grain, provisions, etc., for their own accounts, and who do so upon the "Board of Trade."

Place. To place an issue of bonds is to find a market for it; to sell it.

Plain Bond. A bond not secured by mortgage; practically the same thing as a "debenture bond" or a "certificate of indebtedness." It would not be supposed to have a "sinking fund."

Plant. All the fixed part of a concern (manufacturing, transportation, etc.) except its land; the buildings, machinery, etc.

Plugged. A Chicago Board of Trade term indicating a certain attempt at deception in the sale of grain.

Plum. "The stockholders received a plum." This is about the same idea as "cutting a melon;" an extra, unexpected, or unusually large profit.

Plunge. To speculate in a reckless manner.

Plunger. A reckless speculator; one who takes big risks for big gain.

P. Mail. Pacific Mail Steamship Co.

Point. One per cent. A security rises three points when it advances three dollars in price.

In coffee trading, fluctuations are recorded on the basis of 1-100th of a cent per pound, equalling one "point." In the same way, in cotton a cent is divided into 100 "points" and a decline of $\frac{1}{4}$ of a cent per pound is equivalent to 25 "points" or $1.25 on each bale.

Pointer. In financial slang, this means the same as a "tip." (See that subject.)

Pool. A number of persons uniting or joining their interests for the purpose of buying or selling and increasing or depressing the price of one or more securities, and who agrees to divide the loss or profit. It is probable that "pools" have a greater direct influence upon the stock market in general than any other single factor. A "clique" is much the same thing.[1] (See "Clique.")

Also, an agreement among competitors fixing a monopolistic price, with a division of the territory, insuring practically complete monopoly in certain sections for each party to the agreement; an agreement among competitors so as to limit production, prevent competition by the control of both markets — that of the raw as well as the finished product — an agreed selling price for the output, and a division of the selling territory, while outwardly keeping up the appearance of active rivals. In a few words, a means to prevent competition, and a division of the business for mutual profit.

Another form of "pool" is an agreement between two or more railways as to a division of earnings, so that they can resist the temptations of the big shippers, and be insured a fair share of the transportation business at stable rates, which will apply without partiality to all patrons.[2]

P. O. R. Express or freight payable to the transportation

[1] A recent decision in the suit of Franklin, Scott & Co., stock brokers, against certain others, participants in a "pool," obligates any member of a "pool" for the full liability of whatever the "pool's" losses may be, irrespective of whatever his interest in the "pool" may be.

[2] Johnson in his "American Railway Transportation" says, "The pools were agreements among railroads whereby their competitive traffic or the receipts from that traffic were divided among the companies according to stipulated ratios. Arrangements for the division of the business were called traffic pools, those for the distribution of the receipts money pools."

company on receipt of the goods by them. The opposite to "collect."

Pork. The trading unit for pork is 250 barrels. The rate of commission charged on the Chicago Board of Trade for the purchase or sale, or for the purchase and sale of mess pork, in lots of 250 barrels, or multiples thereof, is 5 cents per barrel.

The usual "margin" required is $1 per barrel.

Port of ——— Bonds. Two notable examples are issues by the Port of Portland, Oregon, and the Port of New Orleans, La. A description of the former will suffice. It embraces the city and much adjacent territory; has its own officials, and creates its own indebtedness, for which payment all the taxable property in this distinct municipality is held. The object for which it was created was for the purpose of obtaining suitable ways for navigation at Portland, and between that city and the sea.

Post. In most stock exchanges there are set aside certain places (posts set on the floor) where some of the most active and important securities dealt in upon the exchange are bought and sold. Such designated spots are known as the "Sugar Post," for example, where transactions in the shares of the American Sugar Refining Co. are carried on. These correspond to the "Wheat Pit," "Oats Pit," "Provision Pit," etc., of the Chicago Board of Trade.

In bookkeeping to "post" is to make entries in the ledger from accounts previously entered in other books, such as the journal or cash book. When an account has been "posted" in the ledger, it will show a true state of its condition.

Postal. Postal Telegraph-Cable Co.

Postal Money-Orders. The following is from the printed regulations as issued by the United States Post-Office Department:

Application. The process of obtaining a money-order is to fill in a simple form, called an "application," which form is furnished free of charge, and to present such application at the money-order branch of the post-office, where, upon payment of the sum to be sent and of the small fee exacted, a money-order will be drawn for any desired amount (but no single order for more than $100), payable at any money-order office in the United States designated by the applicant. When a larger sum than $100 is to be sent additional orders may be obtained.

At all of the larger post-offices, those of the first, second, and third classes, and at many of the smaller ones, International money-orders may also be obtained, payable in almost any part of the world.

Identification. The person who presents an order for payment must be prepared to prove his identity. In case of payment to the wrong person, the Department will see that the amount is made good to the owner, provided the wrong payment was not brought about through fault on the part of remitter, payee, or indorsee.

Power of Attorney. A money-order may be paid upon a written order or power of attorney from the payee, as well as upon his indorsement.

Indorsements. More than one indorsement on a money-order is prohibited by law. One or more additional names, however, may be written upon the back of orders for purpose of identification of payee, or guaranty of genuineness of signature of the payee or indorsee. But if the holder is the second or any subsequent indorsee, to obtain the amount he must surrender the order and make application for a duplicate or a warrant to be issued in place thereof by the Department. The stamp impressions which banks ordinarily place upon money-orders left with or sent to them for collection are not regarded as indorsements transferring ownership of the orders or within the meaning of the statute which prohibits more than one indorsement.

Repayment. A domestic order may be repaid at the office of issue within one year from the last day of the month of its issue.

Invalid Orders. An order which has not been paid or repaid within one year from the last day of the month of its issue is invalid and not payable. The owner, however, may obtain payment of the amount thereof by making application, through the postmaster at any money-order office, to the Department, for a warrant for the said amount. The invalid order, if in the owner's possession, must be forwarded with the application.

Lost Orders. In all cases of lost orders, the remitter, payee, or indorsee may make application, through either the office at which the original was issued or the office on which the original was drawn, for a duplicate to be issued in lieu thereof.

No charge is made for the issue of a duplicate order, nor for the issue of a warrant for the amount of an invalid order.

Fees. For domestic money orders 3 cents to 30 cents, and these rates apply to orders payable in the United States (which includes Hawaii and Porto Rico) and its possessions, comprising the Canal Zone, Guam, the Philippines, and Tutuila, Samoa; also for orders payable in Bermuda, British Guiana, British Honduras, Canada, Cuba, Mexico, Newfoundland, at the United States Postal Agency at Shanghai (China), in the Bahama Islands and in certain other islands in the West Indies.

The fees for foreign money orders payable in any country on which a money order may be drawn, other than those named above, may be ascertained upon inquiry at the post office.

Postal Savings Banks. The U. S. Government regulations in reference to Postal Savings Banks are partially set forth in the following:

"*Service Free.* No charge or fee is collected or required in connection with the opening of an account or the subsequent deposit or withdrawal of money. The proper money order fee is charged, however, when withdrawals are made by mail.

"*Deposits.* Any person of the age of ten years or over may become a depositor. The account of a married woman is free from the control or interference of her husband. No person can have more than one account at the same time.

"An account can not be opened for less than $1, nor can fractions of $1 be deposited or withdrawn. Amounts less than $1 may, however, be saved by the purchase of 10-cent postal savings cards and adhesive 10-cent postal savings stamps. A postal savings card with nine postal savings stamps affixed will be redeemed in cash for $1, or will be accepted as a deposit of $1 either in opening an account or adding to an existing account. No person is permitted to deposit more than $100 in any one calendar month, nor to have a balance to his credit at one time of more than $500, exclusive of interest. An account may be opened through a representative. After an account is opened deposits may be made through a representative or by mail.

"*Certificates of Deposit.* Depositors receive postal savings certificates covering the amount of each deposit made. These certificates are issued in fixed denominations of $1, $2, $5, $10, $20, $50 and $100, and are valid until paid, without limitation as to time. Postmasters are not permitted to receive savings certificates for safekeeping.

"*Interest.* Interest will be allowed on all certificates at the rate of 2 per cent for each full year that the money remains on deposit, beginning on the first day of the month following the month in which the deposit is made. Interest continues to accrue on deposits as long as the certificates remain outstanding.

"*Withdrawals.* A depositor may at any time withdraw the whole or any part of his deposits, with any interest payable, by surrendering at his depository office savings certificates covering the desired amount. Withdrawals may also be made through a representative or by mail.

"*Bonds.* Any depositor may, under certain conditions, exchange the whole or any part of his deposits, in sums of $20 or any multiple of $20 up to and including $500, for United States coupon or registered bonds, bearing interest at the rate of 2½ per cent, such bonds to be exempt from all taxes or duties of the United States as well as from taxation in any form by or under State, municipal, or local authority. Postal savings bonds are not counted as part of the balance of $500 allowed to one depositor. On the application of any holder these bonds will be purchased at par by the Board of Trustees of the Postal Savings System.

"*Information.* Further information concerning the Postal Savings System may be obtained by applying at any depository post office or by addressing the Third Assistant Postmaster General, Division of Postal Savings, Washington, D. C."

Post-Bills. Issued by the Bank of England for not less than £10, drawn payable seven days after sight, and "accepted" at the time of issue. These first came into use Dec. 14, 1738, the intent being to foil the highway robbers, as the interval before payment would be due might give time to stop payment.[1]

Post Dated Check. One dated ahead. No bank should pay a check earlier than the date entered upon it.

Posted Rates. Bankers dealing in foreign exchange post a daily table of rates (or prices) for exchange, which is for use of the general public, but may differ from "actual rates," which are private terms made to brokers or other buyers for large sums and somewhat less than the "posted rates." "Posted rates" are sometimes referred to as "nominal rates."

Post-Office. A nickname for People's Gas Light & Coke Co.; the "ticker" abbreviation being "P. O."

Pound. The English[2] unit of value (formerly the shilling was the unit) equal to \$4.866½ in United States money; the sign for it being £. The adding of the word "sterling" to "pound" is to designate a pound in money from a pound in weight. Also the monetary unit of Egypt, equivalent to \$4.943, and written thus: £ E.

Pound Sterling. See "Pound."

Power Company Bonds. Within the last few years this class of bonds has come into considerable prominence. The ability to economically transmit electrical energy a great distance to generate power is the underlying factor in this industry. With a good water-power, and a demand for power at satisfactory prices within a reasonable distance of the property, there should be little question as to the success of these companies as a class. A low cost of operating has resulted in large profits in many instances. Far-seeing financiers look forward to a time when either the price or scarcity of coal will create a tremendous demand for electricity generated by water-power, and there is a growing belief that the better selected and located of such powers will become very valuable. The rapid inroads upon Niagara Falls for such a purpose, and the enormous amounts of money which have already been spent there in development of power companies, is an indication of this belief.

Where the cost of fuel is high and manufacturing centers frequent, will be found the most favorable locations for these companies.

[1] J. W. Gilbart.
[2] Gold is believed to have been first coined in England in 1344.

In selecting power company bonds as an investment, the usual facts as regards class of men behind the enterprise, management, contracts for business, etc., should be taken into consideration. But the main facts to consider are: The sufficiency of water-power for all time to come, and a plentiful water supply throughout the year; the location of the plant itself — near enough to industries of a stable character to create a permanent demand for the electricity generated; the likelihood of competition from other water-powers in the same section; if the water-power is not owned, the right to operate same must endure for a longer period than the life of the bond issue; and, finally, the climatic conditions under which power is generated and distributed, and the cost of fuel in that particular section, should be carefully studied.

To illustrate with regard to this last: In California, the price of coal is high, likewise fuel oil, except in sections favourably located as regards the oil wells. That State is practically free from thunder and lightning, and many of the plants are situated in sections of almost perpetual summer, all of which is conducive to cheap maintenance.

In some of the mining regions of Mexico most of the fuel is brought on the backs of donkeys, making the cost of generating steam power very great (about $200 per horse-power per year). Many water-power companies can sell power very profitably at $25 per horse-power.

It does not follow that the conditions mentioned in the last two paragraphs are essential to the successful conduct of such a company, but are some of the things favourable to success.

Other facts conducive to economical management in the operating of enterprises of this nature are, that they are naturally free from the dangers of anti-trust legislation, labour disputes, devastating fires, catastrophies, such as wholesale railroad accidents, and abnormal rises in the cost of raw materials, some, or all, of which factors may have to be considered in other industries.

Inasmuch as "power bonds" are a somewhat new security upon the market the investor has been able to obtain profitable interest returns by purchasing them, but there is very little question as to the extremely safe character of many of these issues.

Power of Attorney. In financial matters, a written or printed paper signed — and witnessed or acknowledged before a justice of the peace — given by one person to another, whereby the latter receives authority to sign a paper or document, etc., in the former's name and stead, such signature having the same force and value as if signed by the person delegating the authority. "Powers of attorney" are much used in the transfer of stock certificates.

It is necessary that a "power of attorney," in order to confer any authority upon a person, must specify the powers conferred. The language used may be, and frequently is, general and somewhat vague, in which case, it is a question of construction of the instrument whether any particular power has been conferred, but a "power of attorney" in order to constitute a person an attorney to perform any particular act must have some language specifying the powers conferred and which the attorney may exercise on behalf of his principal.

A common form of "Power of Attorney" used in the transfer of stocks:

Know all Men by these Presents

THAT ______________________________

for value received, *have bargained, sold, assigned and transferred, and by these presents do bargain, sell, assign and transfer unto* ______________

____

Shares of the ______________ *STOCK of the* ______________

____

standing in ________ *name on the books of the said* ______________

represented by certificate No. ______________________________

And ________ *do hereby constitute and appoint* ______________

____

true and lawful attorney, IRREVOCABLY, for ______________ *and in* __________ *name and stead but to* ________ *use, to sell, assign, transfer, and make over all or any part of the said* ________ *and for that purpose to make and execute all necessary acts of assignment and transfer thereof, and to substitute one or more persons with like full power, hereby ratifying and confirming all that said attorney* ______________ *or* __________ __________ *substitute or substitutes shall lawfully do by virtue hereof.*

In Witness whereof, ______________ *have hereunto set* ________ __________ *hand and seal at* ______________ *the* __________ *day of* ______________ 190____.

Signed, Sealed and Delivered in the presence of L. S.

____

______________________ ______________________

Power of Sale. A clause inserted in a mortgage note or in any other form of indebtedness which gives the lender the right to sell the property securing the debt, if not paid as specified. Wills sometimes give " power of sale " to executors, that property may be converted into cash.

P. P. These letters are in place of " pro procuration," to which refer.

PR. The " ticker " abbreviation for " preferred."

Pref. Preferred.

Preference Bonds. Practically the same as " income bonds."

Preference Income Bonds. See " Income Bonds."

Preference Shares. The term used in England as the equivalent of the American " preferred stock."

Preferred Creditor. One who is legally entitled to an advantage over other creditors; entitled to payment of his claim in full before other creditors, not preferred, are paid anything.

Preferred Ordinary Stock. This will be understood by reading " Preferred Shares (or Stock)."

Preferred Shares (or Stock). In Great Britain " ordinary stock," so-called, is equivalent to our " common stock." When, however, the " ordinary stock " is divided in two parts, the first half is referred to as " preferred " and the second half as " deferred; " also mentioned as " B " and " A " stocks respectively. As a rule, the former not only ranks ahead of the latter as far as the dividend is concerned, but shares equally with it in the case of any winding up of the company.

There is a maximum rate of dividend fixed beyond which the " preferred " shall not be allowed to participate in the earnings.

When a dividend is declared, it is the common practice to declare it on the " ordinary stock," and then to state the relative amounts for the two classes.

These stocks are not, as a rule, " cumulative." Those to which the " cumulative " privilege is attached carry the somewhat burdensome title of " non-contingent preference stocks."

Preferred Stock. A stock which has a claim upon the property and earnings of a corporation prior to some other stock; that is, it comes after the bonds and floating debt, if any, but ranks ahead of what is known as " common stock." When a " preferred stock " is created, it naturally follows that it precedes another issue, called " common stock." The first mentioned stock is about what its name indicates, — it has preference over the common. The form of this pref-

Ascertain if the freight rates, expecially if it is a railroad not doing an interstate business, and so not amenable to the railway rate law, are excessive. A road may have such a monopoly that it may be charging exorbitant rates and tempt competition. For a permanent, prosperous condition of any railroad so situated, fair passenger and freight rates are essential.

Some roads may be so clearly dependent upon agricultural products that a crop failure would be disastrous. A road to be a one-crop or a one-industry road must be based on the traffic of an industry of a fairly permanent character.

The earnings of a railroad under construction are worthy of careful study. For the purpose of illustration, here is a railroad half built; it is operating, but at the same time the remaining half is under construction. By force of circumstances most of the material used for this purpose is hauled over that part of the line in operation. The transportation of this is not in any sense a proper earning for the road, although many roads take credit for such a haul. There is no objection to having the figures show; that is, the actual cost of hauling such freight, and the earnings from so doing, and possibly it may be legitimate to charge against the construction of the new part of the road the cost of this haul, but it is decidedly improper to allow any earnings upon this haul to be used as an argument for the sale of the bonds by the swelling of the gross and net income of the property, as the transportation of this freight cannot be a permanent factor. This illegitimate and improper method of bookkeeping has been adopted at times in the past, and has been unfair to the investor.

Railroad managers have of late given much attention to the investment basis of their companies. It is becoming more the custom not to pay, or increase, dividends, until the permanency of the rate is reasonably assured. The paying for improvements out of earnings is a very good feature, and is so universal that it is estimated that our whole railroad mileage earns double what it distributes in the way of dividends.

We differ somewhat from the English in our way of estimating the intrinsic value of a railroad issue, and this is partly due to their custom of placing irredeemable debentures, while we put out bonds with a definite date of maturity. Even, although in practice our debt is not extinguished when due, but refunded, we, nevertheless, consider what the value of the property will be at the loan's maturity. In England, the irredeemable feature eliminates that factor and results in a careful analysis of the road's earning power, so that the interest rate may be permanent, as in the case of a stock. And, perhaps, they are following the truer course, for the value of a railroad if it cannot earn its charges under good management and normal conditions, is doubtful — leaving out of consideration the possibility that some other company may buy it. It is said that about 93% of the railroad capitalization is invested in immovable property.

It is becoming the generally accepted opinion among financiers that the value of a railroad should be determined by its present and future net income.

Rails. The expression is often used, for instance, "Rails are strong; meaning railway stocks are advancing in price.[1]

Railway Trust Bond. Another name for a "collateral trust bond."

Rail, Weight of. It is customary to speak of a 50, 60, or 90, etc., pound rail. This means the weight of the rail per yard; that is, a "90 lb. rail" weighs 90 pounds for each three feet in length.

Raised Check. See "Check."

Rally. A term used in the stock market to express a rise in the price of stocks after a sudden decline.

Ramp. The English equivalent of the American term "manipulate." An artificial level of prices brought about by interests powerful enough so to do, to the end that outsiders will be tempted to buy what those back of the move desire to sell. A common practice in the stock market.

Rand. From Witwatersrand, meaning White Water Range. As used in relation to mining and investment matters, it has reference to that part of South Africa in which is located the important gold mines of that section of the world. In somewhat the same sense as the expression "Wall Street," "Rand" has rather a broader meaning than a mere territorial one, in that it goes a bit further so as to include the mines themselves and, in some instances, the people associated in their management.

Ran Off. Prices declined.

Rapid Transit. A short name for Brooklyn Rapid Transit Co.

Rate. Short for "contango" rate. (See "Contango.")

Rate of Exchange. Supposing that the reader understands "exchange," then the "rate of exchange" indicates price of the money of one country as reckoned in that of another.

Rating. This may be understood by reading "Mercantile Agency." "Rating" is the financial standing or credit of a person, firm, or corporation.

[1] This term perhaps first originated in about 1838 when "Yankee rails" were first traded in upon the London market.

RE. The " ticker " abbreviation for " real estate."

React. Prices may " react " after an advance. To " react " means a change in the direction of prices from the upward tendency which had been existing up to the time of such reaction.

Reading. Reading Co. (Railroad and Coal.)

Readjustment. By reading the subject " Reorganization " it will be seen that that refers to a rearrangement of the capitalization of a company which had been unable to meet its obligations, so that under the new plan better results may be looked for. Proceedings of this nature are generally forced upon the company by its creditors, or security holders, and the property put through " foreclosure proceedings." A " readjustment " is virtually the same thing; cause and effect being the same, but a voluntary proceeding on the part of the security holders, and customarily without foreclosure.

Ready Money. At hand for immediate use.

Real Estate Mortgage. Mortgage upon real estate, and given to secure a debt or promise. If a mortgage is given upon land it usually covers all improvements, such as buildings, etc., upon the same. (For further information see " Mortgage " and " Real Estate Mortgage Bonds.")

Real Estate Mortgage Bonds. Naturally, any bonds secured by a mortgage upon real estate would come under this title. An example of such a bond issued by a corporation is that of the Western Union Telegraph Co., which has a " funding and real estate mortgage " issue, bearing 4½% interest, due May, 1950. In practice such a bond may be issued by a corporation at a time when a comparatively small amount of money is needed, when it would not be necessary for its proper security to mortgage other property of the corporation, there being sufficient real estate, such as, for example, lands, and buildings thereon, which in itself would be ample security for the bond issue. Such property may be mortgaged to especially secure a real estate issue and thus raise the needed money, and leave a large part of the balance of the corporation's property free from that particular encumbrance.

Real Estate Trust. Common in Massachusetts. A voluntary association — not an incorporated company — managed by trustees in whom is vested the ownership of real estate held for investment purposes, for the benefit of a number of people jointly. Real estate cannot be held in Massachusetts by an incorporated company organized under its general laws for investment purposes; only for business needs. Certificates showing ownership are usually issued to the investors by the trustees.

Realize. To convert into cash; sell; take one's profits.

Those who are "short" (see "Selling Short") may buy in — "cover" — in order to obtain their profits or meet their contracts.

"There was a good deal of realizing to-day;" meaning that there had been much selling of securities with the idea of taking advantage of the opportunity to make profits.

Real Money. Financiers use this term to designate metallic money — gold or silver, according to the "standard" of the particular country — from, usually, paper money, which is called "representative money." The latter has no real value, but only represents money which has, and which it promises to give in exchange when demanded.

Real Property. Land and buildings, including everything, such as minerals, etc., below the surface, and the air or space above; also, all crops, as grass, trees, etc., which are not considered as of annual planting. The right to use other land, as by a right of way, also comes under this head.

Real Valuation. See "Assessed Valuation."

Rebate. Paying back. Example: If one borrows money and pays interest for six months in advance, and then at the end of three months — by the consent of the lender — pays the debt and receives back the interest for the remaining three months, the lender "rebates" the interest.

A "rebate" on the part of a "common carrier" is a return of money to the shipper, or the granting to him of some privilege, so that he may receive, in effect, a more favourable shipping rate than the regular tariff.

Recede. "A receding market;" slow but steady shrinkage in prices.

Receiver. One appointed by a court to take the custody, management, or disposal of property in controversy, pending litigation. One appointed to close up the affairs of an insolvent concern, by dividing the assets among those entitled to receive same.

Receivers' Certificates. A form of indebtedness issued by authority of the court against property under the management of a receiver, for the purpose of borrowing money. These certificates take precedence over all other indebtedness of the company, even over a first mortgage, — except money due for wages and other necessary operating expenses, — and must be first paid. "Receivers' certificates" are usually sanctioned by the court only to defray necessary expenses for the continued operation of a corporation, the ceasing of which would be a public calamity; such as a railroad, lighting plant, etc.

Receiving Teller. See "Teller." Also called the "Second Teller."

Reconstruction. This term is used in Great Britain as the equivalent of our " reorganization."

Recourse. Literally: running back; a return. To have " recourse " is to have legal right to demand payment. The holder of a check which is not paid when presented at the bank would have " recourse " against the indorsers; that is, could demand payment from any of them.

Recovery. An advance, after a decline in prices.

Red. " In the Red." (See " Profit and Loss.")

Redeemable. Same as " callable."

Redemption Agent. Same as " clearing-house agent."

Redemption Bonds. Issued to redeem — pay off — other bonds which are due or which the company or municipality has the right to prepay before maturity. Same as " Refunding " bonds.

Redemption Fund. If the reader will turn to the subject " Financial Bill " he will find therein referred to the Act of Congress of March 14, 1900, otherwise known as the " Gold Standard Act." This Act further provides as follows:

" Sec. 2. That United States notes, and Treasury notes issued under the Act of July fourteenth, eighteen hundred and ninety, when presented to the Treasury for redemption, shall be redeemed in gold coin of the standard fixed in the first section of this Act, and in order to secure the prompt and certain redemption of such notes as herein provided it shall be the duty of the Secretary of the Treasury to set apart in the Treasury a reserve fund of one hundred and fifty million dollars in gold coin and bullion, which fund shall be used for such redemption purposes only, and whenever and as often as any of said notes shall be redeemed from said fund it shall be the duty of the Secretary of the Treasury to use said notes so redeemed to restore and maintain such reserve fund in the manner following, to wit: First, by exchanging the notes so redeemed for any gold coin in the general fund of the Treasury; second, by accepting deposits of gold coin at the Treasury or at any sub-treasury in exchange for the United States notes so redeemed; third, by procuring gold coin by the use of said notes, in accordance with the provisions of section thirty-seven hundred of the Revised Statutes of the United States."

If the Secretary of the Treasury is unable to restore or maintain the reserve fund by the foregoing methods, and the amount of the gold coin and bullion shall fall below $100,000,-000, then he is authorized to restore the same by issuing United States bonds therefor, but to sell the same only in exchange for gold.

Re-Discounts. It being understood that when a note is "discounted" that the interest upon the same is deducted by the lender from the amount loaned, it must be clear that "re-discounting" is the act on the part of the holder of a "discounted note" of negotiating the same; that is, he again "discounts" it; *i. e.* "re-discounts" it. Of course he must indorse if drawn so as to require it.

This is a very common practice for banks to "re-discount" notes which they hold when they need more available cash.

The method of borrowing between banks may not be strictly a "re-discount." The country bank, for illustration, may simply make an over-draft on its city depository. Or it may take "discounted paper" of its own and deposit it as collateral with its city depository together with its own note as an evidence of indebtedness. Still another way is to borrow on its own "certificate of deposit."

Refining. The elimination from bullion of all base metals.

Refunding. Issuing a new lot of bonds to take the place of those falling due, and which for inability, or other reasons, the corporation or municipality is not to pay off in cash. Suppose, for example, a city has some bonds maturing which were previously issued for "Water Works;" the city brings out a new issue to replace them; this new issue ought to be called "Refunding Water," it may, however, be called simply "Refunding."

It is always advisable to ascertain the nature of the debt being "refunded" and to assure oneself that it was originally contracted for a proper purpose. This is one reason why it is well that the name be specifically set forth in the bond, as above suggested. It is desirable that the attorney examining into the legality of a "refunding" issue should likewise investigate the legal status of the old debt. The term also applies to the new bonds of which the proceeds are used to pay off the old bonds.

Refunding First Mortgage Bond. See "First Refunding Mortgage Bond." The two titles are quite distinct in their meaning.

REG. The "ticker" and general abbreviation for "registered."

Registered Bond. (Read first "Coupon Bond.") "Registered bonds" are of two forms: First, registered as to principal and interest both; second, registered as to principal alone.

A "registered bond" has the name of the owner filled out on its face, but cannot be transferred from one person to another without indorsement upon the back by the party in whose name it is registered and sending to some designated office or municipality for transfer; the same as a share of stock. A new bond will be issued to the holder and made out in his or her name. There is no objection to a " transfer in blank " (to which subject refer) and passing the bond from hand to hand, by which plan any holder may fill in his or any name upon the back in the transfer blank and forward to be transferred at his leisure. But as the ownership of a bond is, as far as the corporation or municipality is concerned, the last registered holder thereof, it is to such holders that checks for interest are mailed, and in accepting a " registered bond " " transferred in blank " a transfer of the same should be made upon the books in time to permit the rightful owner to receive the next maturing interest.

In the first case above mentioned the bond bears no interest coupons, but the interest is mailed, as it matures, directly to the holder, in the form of a check, but the principal sum must be collected by proper indorsement upon the back and presentation to the proper authority.

In the second case: a bond registered as to principal only. There are coupons attached, the same as in the ordinary " coupon bond," which are collected in the usual manner of coupons, but the principal sum of the bond itself is registered, and to be collected must be indorsed and forwarded to the proper authority.

The reason for registration is primarily for safety, for should there occur a theft or loss a " registered bond " can be of no value to any one else. There is much inconvenience about a " registered bond " in case of its sale. Most bonds are in coupon form.

Registered Coupon Bond. A bond described under " registered bond." The principal alone is registered, the coupons being payable to bearer, and the interest collected by detaching and presenting the same for payment. The interest on the ordinary " registered bond " is remitted to the registered holder by check.

Registered Letters (and Parcels). Inasmuch as the shipment of coupons, investment securities, or other valuable papers is a very common factor, it seems desirable that no mistake should be made in the use of the mails in that way. An extract from the post-office laws touching upon that subject here follows:

What Should Be Registered. All valuable letters and sealed parcels, and those for which a return receipt or special care in delivery is desired, should be registered.

What May Be Registered — Where, and By Whom. Any matter, properly addressed and bearing the name and address of the sender, admissible to the domestic mails (except fourth-class mail, which may be insured), or to the Postal Union mails (except foreign "Parcel Post" packages for Barbadoes, Curacao, Dutch Guiana, France, Great Britain, Guadeloupe, Martinique, the Netherlands and Uruguay), may be registered. Foreign "Parcel Post" mail must be taken to the post office to be registered, but other mail may be registered at any post office or post office station, by rural carriers, and when sealed and not cumbersome, by city carriers in residential districts.

Registry Fee for each separate article, foreign or domestic, is 10 cents in addition to the postage, both to be fully prepaid.

Return Receipts. When the sender desires a return receipt he should indorse the address side of the envelope or wrapper "Return receipt desired."

An article for registration should not be placed in a street letter box or in a mail drop at the post office. Firm registration books are supplied without cost to those registering large quantities of mail. All matter registered as first-class must be securely sealed.

Indemnity for Lost Registered Mail will be paid as follows:

Domestic mail first-class (sealed) up to $50, actual value; third-class (unsealed), up to $25, actual value.

Foreign mail, amount claimed within limit of 50 francs ($9.65), for total loss (not partial loss or rifling), of a registered article exchanged between the United States and a Postal Union country, except foreign parcel post matter and losses beyond control ("*force majeure*").

Reports of Losses and Application for Indemnity should be made to the postmaster at the mailing office or office of address with particulars of registration, description of contents, and in case of partial loss or rifling with the envelope or wrapper.

The Delivery of Registered Mail may be restricted by the sender under certain conditions, which may be ascertained from the postmaster.

Forwarding and Return. The conditions under which ordinary mail is forwarded or returned apply also to registered matter. No additional registry fee is required in such case.

Identification. Unknown persons applying or inquiring for registered mail, as senders or addressees or their authorized representatives, will be required to establish their identity satisfactorily before the mail or information about it is given them.

Registered Stock. This differs from the ordinary stock, as a certificate of the former cannot be transferred without the signature of the owner (or one authorized to sign for him) being placed upon the books of the company, in which it represents ownership, and the delivery of the certificate.

Regular (or Regular Way). According to the New York Stock Exchange Rules, delivery of the security before a certain fixed hour (2.15 P.M.) upon the first business day following the making of the contract. Regular sales made on Friday, however, go over until Monday before delivery.

Regular Dividend. See "Dividend, Extra."

Reich-Marks. As referred to in "foreign exchange" transactions, exchange on Germany is understood. (See "Mark.")

Reis. See "Milreis."

Reischbank. See "Bank of Germany."

Release of Mortgage. When the holder of a mortgage has received payment for the debt, or satisfaction of the other obligations or conditions which the mortgage was given to secure, it is not sufficient that he should simply relinquish possession of the papers evidencing the security, but must execute and sign a "release of mortgage," as it is called, which the debtor — mortgagor — sends to the office of Register of Deeds and has recorded. This shows a discharge of the obligation and that the property is no longer encumbered with the mortgage.

Blank forms of release may be obtained at many stationers for the particular State in which they are desired for use.

Remainder-Man. The one to whom an estate goes after a certain estate is determined.

Re-margin. To give more "margin." (See that subject.)

Remedy Allowance. This is a variation allowed to the English mint from the specified standard of weight and fineness. As an example, the standard of fineness of the English sovereign is 11-12th fine gold and 1-12th alloy; with a total weight of 123.27447 imperial grains. A variation from this is allowed of .20 imperial grains. That is, the weight of fine gold in the English sovereign must not vary more than

2-10th of a grain from 11-12th of the total weight above given.

In America, we call this legal variation which is allowed by our coinage laws, the " Remedy of the Mint."

Remedy of the Mint. See last subject.

Remit. To transmit money or its equivalent. A " remittance " is the act of transmitting money — bills or the like — to some person at a distance.

Remittance of Money. See " Shipment of Money."

Renewal. A " renewal of a loan " is to extend it after it matures.

Renewal Bonds. Created to extend an issue due; same as " refunding bonds."

Rent-Charge Stocks. An English term much the same in meaning as our guaranteed (leased lines) railroad stocks.

Rentes. Usually the Government bonds of France. The total debt of France amounted, in 1905, to $5 878,822,695, of which $5,005,246,780 was held principally by the industrial classes.[1] It was the largest of existing debts, with Russia next.

Reorganization. Rearrangement of the financial plan or capitalization of a corporation which has been unable to meet its obligations at maturity, so that interest and dividends may be earned and paid. New management may be needed and possible changes in the physical condition of the property. (See " Readjustment.")

Reorganization Committee. By reading the last subject it will be understood that the working out of a new system of capitalization for a corporation in financial difficulties must be placed in the hands of some persons competent to deal with the same. It is the custom for the security holders to select a number of men for this purpose, which are known as the " reorganization committee," and who are often given broad powers, the securities being deposited with some trust company under a plan of reorganization, which may be called a bondholders' or stockholders' agreement, or designated by some such title.

Representative Money. Explained under " Real Money."

Repudiate. To refuse to pay a debt; to dishonour one's obligation or promise.

Reserve. Every "member bank" — national bank, trust company and State bank, belonging to the Federal Reserve System — is required to maintain an actual net balance equal to a certain percentage of its deposits, with the "Federal Reserve Bank" of its particular district, as follows:

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[1] J. Martin Miller, United States Consul at Rheims.

In "central reserve cities," that is New York, Chicago and St. Louis, 3% of "time deposits" and 13% of "demand deposits"; in "reserve cities," that is in over 50 other prominent cities listed under that subject, 13% and 10% respectively; and in "country banks," meaning all other "member banks" located in cities other than those already mentioned, 3% and 7% respectively.

In addition to the foregoing, "Federal Reserve Banks" are required to maintain a "reserve" in gold or "lawful money" of 35% against deposits, and 40% in gold against notes in actual circulation, less gold or gold certificates deposited with the Fed. Res. Agt. as collateral for Fed. Res. notes.

The "Reserve" of the Bank of England is explained under the last part of "Bank of England Statement."

The difficulty of making clear this term as used among those in the business of life insurance is demonstrated by the following extract from a letter from a well-known life insurance official: "It is not as easy as one might think to give a definition of the word 'reserve,' as used in the life offices, that will be immediately recognized by the layman. Even actuaries, when they come to an analysis, dispute on the definition."

The writer has obtained no less than seven distinct and varying definitions for this term, two of which are given below:

"A sinking fund computed each year to be held in possession by the life insurance company in well invested assets at a given rate of interest to make good, with expected premiums, each contract at maturity."

"The reserve is the excess amount charged in the early years of 'level premium policies' to offset the failure to increase the premium during the later years. This reserve is invested by the company, and the proceeds from it make up the deficiencies in the later premium payments."[1]

Reserve Agent. A bank located in either a "central reserve city" or a "reserve city," which, with the approval of the Comptroller of the Currency, may be selected as a depository in which banks in other cities may keep a portion of their "reserve."

Banks in "central reserve cities" may act as "reserve agents" for banks located in either "reserve" or "undesignated cities"; banks located in "reserve cities" only for those in "undesignated cities." (Refer to the subjects in quotations.)

Reserve Bank. Same as "Federal Reserve Bank."

Reserve Banks. Banks and trust companies belonging to the "Federal Reserve System" located in "reserve cities" and "central reserve cities"; also "Federal Reserve Banks" (see those subjects).

[1] *World's Work*, April, 1906.

Reserve Cities. Certain large cities in the United States, other than "central reserve cities," in which all "member banks" in the "Federal Reserve System" are obliged to maintain a certain percentage of "reserve" upon their deposits. Such banks may act as "reserve agents" for "country banks," so-called. (Refer to the subjects in quotations.)

"Reserve cities" are designed to furnish large centers in which country banks may deposit part of their funds for the convenience of being able to draw checks on a large money center. On Jan. 1, 1917, the "Reserve Cities" were as follows:

Albany	Milwaukee
Atlanta	Minneapolis
Baltimore	Muskogee
Birmingham	Nashville
Boston	New Orleans
Brooklyn	Oklahoma City
Cedar Rapids	Omaha
Charleston	Philadelphia
Chattanooga	Pittsburg
Cincinnati	Portland, Ore.
Cleveland	Pueblo
Columbus	Richmond
Dallas	St. Joseph
Denver	St. Paul
Des Moines	Salt Lake City
Detroit	San Antonio
Dubuque	San Francisco
Fort Worth	Savannah
Galveston	Seattle
Houston	Sioux City
Indianapolis	Spokane
Kansas City, Kan.	Tacoma
Kansas City, Mo.	Topeka
Lincoln	Waco
Los Angeles	Washington
Louisville	Wichita

Reserve Excess. Meaning the same as "Surplus Reserve."

Reserve Fund. The English equivalent of our "surplus."

Reserve Held. As used in the "bank statement" this indicates the amount of "reserve" (see that subject) as actually held by the banks, without regard to the legal requirements.

Resources. Property of all kinds; everything owned; cash on hand, notes and bills receivable, merchandise; in fact everything that one possesses, including what is due him.

Respondentia. A loan on the cargo of a vessel, payment being contingent on the safe arrival of the cargo at the port of destination — the effect of such condition being to except the contract from the common usury laws.

Respondentia Bond. When a contract is given securing a vessel to the lender as a pledge for the payment of the loan, it is termed a "Bottomry Bond," but when both the ship and the cargo are pledged, it is a "Respondentia Bond."

Rest. Surplus or undivided profits; the accumulated and undivided profits of the "Bank of England" are its "rest." With us "surplus" is the term commonly used.

Restrictive Indorsement. Sometimes the indorser of an instrument may wish to prevent its further negotiability, and attaches some words to his indorsement to that effect. This is a "restrictive indorsement." Examples, "For collection" or "for account of," or "pay to James Frazer only."

Resumption of Specie Payment. First, read "Suspension of Specie Payment." On Jan. 14, 1875, what was known as the Resumption Act was approved, by which the Secretary of the Treasury was directed to make provision for the redemption of United States notes, or "greenbacks," in coin, beginning with Jan. 1st, 1879, and further authorized him to use surplus revenues, as well as to sell bonds at not less than par in coin, for that purpose.

Retreating Market. Prices declining.

Return. We speak in this country of the "Bank Statement." Abroad, "return" is used as the equivalent to our "statement." For example, "Return of the Bank of England."

Revenue Bonds. A temporary debt created for the purpose of raising funds for current expenses, and in anticipation of the collection of taxes. Such a debt, however, is usually in the form of notes.

Ribs. Refer to "Short Ribs."

Rich Man's Panic. The meaning of the word "panic" being understood, which will be found explained under that subject, it will be an easy matter to comprehend that "rich men's panics" are sudden declines in stock market values brought about by the wealthy speculators and operators suddenly trying to convert their holdings into cash, resulting in injury to themselves rather than to the small speculator or trader.

Rigged. A term which has about the same meaning as "manipulated." When the stock market has been "rigged" it is understood that events have been made to transpire in accordance with the wishes of those powerful enough to effect such results. A trap is rigged to catch the unwary animal; the market is rigged to catch the unwary speculator or investor.

Right Price. First understand "Options." In London it is usual to refer to the ordinary market price for a forward bargain in firm stocks as the "right price" for the period in question.

Rights. When a corporation has occasion to bring out a new stock issue, the privilege may be given to the stockholders, as of record at the time, to subscribe for the new stock at a price less than the existing market quotations of the old stock. The number of shares of new stock to which one may subscribe depends upon the number of original shares which he owns. The privilege attached to each original share is one "right"; it is used in the plural when two or more original shares are held. Such a privilege generally has a value — the value largely depending, of course, upon the price at which the original stock is selling in the market — and if the stockholder does not wish to avail himself of it, he can usually sell the "right" to subscribe in his stead to some other party. "Rights" are dealt in much the same as other securities. They may apply to other securities than shares of stock. (See "Arbitrage.")

When a stockholder receives "rights" he should not consider them as dividends, even although they have a value, for it is usual for the old shares to decline in the market about the equivalent of the value of the "rights."

A peculiar situation exists in Massachusetts where the Tax Commissioner is obliged by law to treat the proceeds of the sale of rights as income, and the Probate Courts treat it as part of the principal.

In order to determine the value of a "right," the following rule is applied:

"From the market price of the old stock subtract the subscription price of the new; divide this remainder by a number one greater than the number of old shares required to secure one new share."

Ring. As used in reference to speculation, it is practically the same as "clique."

Rio Tinto. Rio Tinto Co., Ltd. A copper mine located in Spain; largely an English and French owned corporation. The stock is extensively handled in London.

Rios. Used in London to designate the "ordinary shares" of the Rio Tinto Co., Ltd.

Rolling Stock. Locomotives, cars, hand cars, snow plows; in fact all such equipment of a steam, electric, or other railway.

Room Shorts. (See "Selling Short.") Members of the stock exchange and who do the actual trading thereon; that is, "board men," who have been "selling short."

Room Traders. See "Traders."

Round Transaction (or Trade). A complete transaction; *i. e.* buying what has been sold, to make good one's contracts, or selling what has been bought. A purchase of 100 shares of Union Pacific followed by its sale is a "round transaction."

Round Turn. Explained under "Cotton."

Royal Blue Line. The Baltimore and Ohio R. R. Co.

Royal Exchange. Where transactions in foreign exchange occur in London.

Rs. The sign for the "rupees" of India, as $ is for our dollar. (See also "Rupee.")

Rubber. United States Rubber Co.

Rubber Goods. Rubber Goods Manufacturing Co.

Ruble. The unit of money in Russia, and equal to 51½ cents in United States money.

Run.[1] "Run on a bank." A prevailing belief that a bank is insolvent, or in a condition likely to make it difficult for the depositors to secure their money on demand, often causes a sudden panicky rush among the bank's depositors for the purpose of withdrawing what is due them. This is referred to as a "run" and sometimes brings financial disaster to the bank, or at other times a prompt payment of all claims may restore confidence, stopping the "run."

Runner. A bank's "runner" is its messenger. (See "Tout.")

Runner's Exchange. To comprehend this, an understanding of the matter under "Clearing-House" is first necessary. The "runner's exchange" is an adjunct of the Philadelphia Clearing-House. It is a secondary exchange, as it were, which

[1] James William Gilbart, writing in 1834, said: "In the year 1667 occurred the first 'run' of which we have any account in the history of banking. The business of the new-fashioned bankers had increased so fast, and they had become so numerous, that their trade was supposed to be at its height in this year; when, during the time that a treaty of peace was under consideration, the Dutch fleet sailed up the Thames, blew up the fort of Sheerness, set fire to Chatham, and burned four ships of the line. This disaster occasioned great alarm in London, particularly among those who had money in their banker's hands, as it was imagined that the king would not be able to repay the bankers the money they had lent him. To quiet the fears of the people, the king issued a proclamation, declaring that the payments to the bankers should be made at the Exchequer the same as usual."

takes place later than the regular morning "clearing." It includes items due that day and received in the morning mail, which are made payable at the banks, and saves the necessity of the "runner's" going from bank to bank, which, in Philadelphia, is a laborious task, owing to the widely distributed territory which they cover.

Inasmuch as the regular "clearing" for the day takes place at an early hour in the morning, covering only items for the previous day, the "runner's exchange" enables the banks to ascertain before closing, whether or no items received that day are good.[1]

Running Account. See "Open Account," which is the same thing.

Rupee. Although the "sovereign" (pound sterling) is the standard coin of India, the silver "rupee" is the "money of account;" that is, the actual money in current use, and is current at the rate of fifteen to the sovereign. A "rupee" is equivalent to \$.3244⅓ United States money.[2] An American dollar is roughly reckoned as the equivalent of three "rupees."

"Rs" is the sign of the "rupee." A "lac" is used to designate 100,000 "rupees." The method of writing and pointing off sums of Indian money in excess of a "lac" is thus: Rs 80,35,000, indicating 80 "lacs" and 35,000 "rupees" over; equivalent to 8,035,000 "rupees." A "crore," as a "crore of rupees," is 10,000,000 "rupees" or 100 "lacs."

INDIA MONEY TABLE

1 pie	=			\$.0016899 +
12 pies	=	1 anna	=	.0202791 +
16 annas	=	1 rupee	=	.3244⅓

Rupee Paper. The Government securities in India being payable, both principal and interest, in "rupees" (a silver coin equal to \$.3244⅓ United States money), are termed "rupee paper." When, however, payment is demanded in England, bills of exchange on Calcutta are given.

Rutland. Rutland Railroad Company.

[1] This exchange ceased to exist Feb. 1, 1907, as the Philadelphia Clearing-House Association decided to abolish it and consolidate the two "exchanges" into one daily "exchange" at 10 o'clock.

[2] Treasury Department Circular, October 1, 1905.

Ascertain if the freight rates, expecially if it is a railroad not doing an interstate business, and so not amenable to the railway rate law, are excessive. A road may have such a monopoly that it may be charging exorbitant rates and tempt competition. For a permanent, prosperous condition of any railroad so situated, fair passenger and freight rates are essential.

Some roads may be so clearly dependent upon agricultural products that a crop failure would be disastrous. A road to be a one-crop or a one-industry road must be based on the traffic of an industry of a fairly permanent character.

The earnings of a railroad under construction are worthy of careful study. For the purpose of illustration, here is a railroad half built; it is operating, but at the same time the remaining half is under construction. By force of circumstances most of the material used for this purpose is hauled over that part of the line in operation. The transportation of this is not in any sense a proper earning for the road, although many roads take credit for such a haul. There is no objection to having the figures show; that is, the actual cost of hauling such freight, and the earnings from so doing, and possibly it may be legitimate to charge against the construction of the new part of the road the cost of this haul, but it is decidedly improper to allow any earnings upon this haul to be used as an argument for the sale of the bonds by the swelling of the gross and net income of the property, as the transportation of this freight cannot be a permanent factor. This illegitimate and improper method of bookkeeping has been adopted at times in the past, and has been unfair to the investor.

Railroad managers have of late given much attention to the investment basis of their companies. It is becoming more the custom not to pay, or increase, dividends, until the permanency of the rate is reasonably assured. The paying for improvements out of earnings is a very good feature, and is so universal that it is estimated that our whole railroad mileage earns double what it distributes in the way of dividends.

We differ somewhat from the English in our way of estimating the intrinsic value of a railroad issue, and this is partly due to their custom of placing irredeemable debentures, while we put out bonds with a definite date of maturity. Even, although in practice our debt is not extinguished when due, but refunded, we, nevertheless, consider what the value of the property will be at the loan's maturity. In England, the irredeemable feature eliminates that factor and results in a careful analysis of the road's earning power, so that the interest rate may be permanent, as in the case of a stock. And, perhaps, they are following the truer course, for the value of a railroad if it cannot earn its charges under good management and normal conditions, is doubtful — leaving out of consideration the possibility that some other company may buy it. It is said that about 93% of the railroad capitalization is invested in immovable property.

It is becoming the generally accepted opinion among financiers that the value of a railroad should be determined by its present and future net income.

Rails. The expression is often used, for instance, "Rails are strong; meaning railway stocks are advancing in price.[1]

Railway Trust Bond. Another name for a "collateral trust bond."

Rail, Weight of. It is customary to speak of a 50, 60, or 90, etc., pound rail. This means the weight of the rail per yard; that is, a "90 lb. rail" weighs 90 pounds for each three feet in length.

Raised Check. See "Check."

Rally. A term used in the stock market to express a rise in the price of stocks after a sudden decline.

Ramp. The English equivalent of the American term "manipulate." An artificial level of prices brought about by interests powerful enough so to do, to the end that outsiders will be tempted to buy what those back of the move desire to sell. A common practice in the stock market.

Rand. From Witwatersrand, meaning White Water Range. As used in relation to mining and investment matters, it has reference to that part of South Africa in which is located the important gold mines of that section of the world. In somewhat the same sense as the expression "Wall Street," "Rand" has rather a broader meaning than a mere territorial one, in that it goes a bit further so as to include the mines themselves and, in some instances, the people associated in their management.

Ran Off. Prices declined.

Rapid Transit. A short name for Brooklyn Rapid Transit Co.

Rate. Short for "contango" rate. (See "Contango.")

Rate of Exchange. Supposing that the reader understands "exchange," then the "rate of exchange" indicates price of the money of one country as reckoned in that of another.

Rating. This may be understood by reading "Mercantile Agency." "Rating" is the financial standing or credit of a person, firm, or corporation.

[1] This term perhaps first originated in about 1838 when "Yankee rails" were first traded in upon the London market.

RE. The "ticker" abbreviation for "real estate."

React. Prices may "react" after an advance. To "react" means a change in the direction of prices from the upward tendency which had been existing up to the time of such reaction.

Reading. Reading Co. (Railroad and Coal.)

Readjustment. By reading the subject "Reorganization" it will be seen that that refers to a rearrangement of the capitalization of a company which had been unable to meet its obligations, so that under the new plan better results may be looked for. Proceedings of this nature are generally forced upon the company by its creditors, or security holders, and the property put through "foreclosure proceedings." A "readjustment" is virtually the same thing; cause and effect being the same, but a voluntary proceeding on the part of the security holders, and customarily without foreclosure.

Ready Money. At hand for immediate use.

Real Estate Mortgage. Mortgage upon real estate, and given to secure a debt or promise. If a mortgage is given upon land it usually covers all improvements, such as buildings, etc., upon the same. (For further information see "Mortgage" and "Real Estate Mortgage Bonds.")

Real Estate Mortgage Bonds. Naturally, any bonds secured by a mortgage upon real estate would come under this title. An example of such a bond issued by a corporation is that of the Western Union Telegraph Co., which has a "funding and real estate mortgage" issue, bearing 4½% interest, due May, 1950. In practice such a bond may be issued by a corporation at a time when a comparatively small amount of money is needed, when it would not be necessary for its proper security to mortgage other property of the corporation, there being sufficient real estate, such as, for example, lands, and buildings thereon, which in itself would be ample security for the bond issue. Such property may be mortgaged to especially secure a real estate issue and thus raise the needed money, and leave a large part of the balance of the corporation's property free from that particular encumbrance.

Real Estate Trust. Common in Massachusetts. A voluntary association — not an incorporated company — managed by trustees in whom is vested the ownership of real estate held for investment purposes, for the benefit of a number of people jointly. Real estate cannot be held in Massachusetts by an incorporated company organized under its general laws for investment purposes; only for business needs. Certificates showing ownership are usually issued to the investors by the trustees.

Realize. To convert into cash; sell; take one's profits.

Those who are " short " (see " Selling Short ") may buy in — " cover " — in order to obtain their profits or meet their contracts.

" There was a good deal of realizing to-day; " meaning that there had been much selling of securities with the idea of taking advantage of the opportunity to make profits.

Real Money. Financiers use this term to designate metallic money — gold or silver, according to the " standard " of the particular country — from, usually, paper money, which is called " representative money." The latter has no real value, but only represents money which has, and which it promises to give in exchange when demanded.

Real Property. Land and buildings, including everything, such as minerals, etc., below the surface, and the air or space above; also, all crops, as grass, trees, etc., which are not considered as of annual planting. The right to use other land, as by a right of way, also comes under this head.

Real Valuation. See " Assessed Valuation."

Rebate. Paying back. Example: If one borrows money and pays interest for six months in advance, and then at the end of three months — by the consent of the lender — pays the debt and receives back the interest for the remaining three months, the lender " rebates " the interest.

A " rebate " on the part of a " common carrier " is a return of money to the shipper, or the granting to him of some privilege, so that he may receive, in effect, a more favourable shipping rate than the regular tariff.

Recede. " A receding market; " slow but steady shrinkage in prices.

Receiver. One appointed by a court to take the custody, management, or disposal of property in controversy, pending litigation. One appointed to close up the affairs of an insolvent concern, by dividing the assets among those entitled to receive same.

Receivers' Certificates. A form of indebtedness issued by authority of the court against property under the management of a receiver, for the purpose of borrowing money. These certificates take precedence over all other indebtedness of the company, even over a first mortgage, — except money due for wages and other necessary operating expenses, — and must be first paid. " Receivers' certificates " are usually sanctioned by the court only to defray necessary expenses for the continued operation of a corporation, the ceasing of which would be a public calamity; such as a railroad, lighting plant, etc.

Receiving Teller. See " Teller." Also called the " Second Teller."

Reconstruction. This term is used in Great Britain as the equivalent of our "reorganization."

Recourse. Literally: running back; a return. To have "recourse" is to have legal right to demand payment. The holder of a check which is not paid when presented at the bank would have "recourse" against the indorsers; that is, could demand payment from any of them.

Recovery. An advance, after a decline in prices.

Red. "In the Red." (See "Profit and Loss.")

Redeemable. Same as "callable."

Redemption Agent. Same as "clearing-house agent."

Redemption Bonds. Issued to redeem — pay off — other bonds which are due or which the company or municipality has the right to prepay before maturity. Same as "Refunding" bonds.

Redemption Fund. If the reader will turn to the subject "Financial Bill" he will find therein referred to the Act of Congress of March 14, 1900, otherwise known as the "Gold Standard Act." This Act further provides as follows:

"Sec. 2. That United States notes, and Treasury notes issued under the Act of July fourteenth, eighteen hundred and ninety, when presented to the Treasury for redemption, shall be redeemed in gold coin of the standard fixed in the first section of this Act, and in order to secure the prompt and certain redemption of such notes as herein provided it shall be the duty of the Secretary of the Treasury to set apart in the Treasury a reserve fund of one hundred and fifty million dollars in gold coin and bullion, which fund shall be used for such redemption purposes only, and whenever and as often as any of said notes shall be redeemed from said fund it shall be the duty of the Secretary of the Treasury to use said notes so redeemed to restore and maintain such reserve fund in the manner following, to wit: First, by exchanging the notes so redeemed for any gold coin in the general fund of the Treasury; second, by accepting deposits of gold coin at the Treasury or at any sub-treasury in exchange for the United States notes so redeemed; third, by procuring gold coin by the use of said notes, in accordance with the provisions of section thirty-seven hundred of the Revised Statutes of the United States."

If the Secretary of the Treasury is unable to restore or maintain the reserve fund by the foregoing methods, and the amount of the gold coin and bullion shall fall below $100,000,000, then he is authorized to restore the same by issuing United States bonds therefor, but to sell the same only in exchange for gold.

Re-Discounts. It being understood that when a note is "discounted" that the interest upon the same is deducted by the lender from the amount loaned, it must be clear that "re-discounting" is the act on the part of the holder of a "discounted note" of negotiating the same; that is, he again "discounts" it; *i. e.* "re-discounts" it. Of course he must indorse if drawn so as to require it.

This is a very common practice for banks to "re-discount" notes which they hold when they need more available cash.

The method of borrowing between banks may not be strictly a "re-discount." The country bank, for illustration, may simply make an over-draft on its city depository. Or it may take "discounted paper" of its own and deposit it as collateral with its city depository together with its own note as an evidence of indebtedness. Still another way is to borrow on its own "certificate of deposit."

Refining. The elimination from bullion of all base metals.

Refunding. Issuing a new lot of bonds to take the place of those falling due, and which for inability, or other reasons, the corporation or municipality is not to pay off in cash. Suppose, for example, a city has some bonds maturing which were previously issued for "Water Works;" the city brings out a new issue to replace them; this new issue ought to be called "Refunding Water," it may, however, be called simply "Refunding."

It is always advisable to ascertain the nature of the debt being "refunded" and to assure oneself that it was originally contracted for a proper purpose. This is one reason why it is well that the name be specifically set forth in the bond, as above suggested. It is desirable that the attorney examining into the legality of a "refunding" issue should likewise investigate the legal status of the old debt. The term also applies to the new bonds of which the proceeds are used to pay off the old bonds.

Refunding First Mortgage Bond. See "First Refunding Mortgage Bond." The two titles are quite distinct in their meaning.

REG. The "ticker" and general abbreviation for "registered."

Registered Bond. (Read first "Coupon Bond.") "Registered bonds" are of two forms: First, registered as to principal and interest both; second, registered as to principal alone.

A "registered bond" has the name of the owner filled out on its face, but cannot be transferred from one person to another without indorsement upon the back by the party in whose name it is registered and sending to some designated office or municipality for transfer; the same as a share of stock. A new bond will be issued to the holder and made out in his or her name. There is no objection to a "transfer in blank" (to which subject refer) and passing the bond from hand to hand, by which plan any holder may fill in his or any name upon the back in the transfer blank and forward to be transferred at his leisure. But as the ownership of a bond is, as far as the corporation or municipality is concerned, the last registered holder thereof, it is to such holders that checks for interest are mailed, and in accepting a "registered bond" "transferred in blank" a transfer of the same should be made upon the books in time to permit the rightful owner to receive the next maturing interest.

In the first case above mentioned the bond bears no interest coupons, but the interest is mailed, as it matures, directly to the holder, in the form of a check, but the principal sum must be collected by proper indorsement upon the back and presentation to the proper authority.

In the second case: a bond registered as to principal only. There are coupons attached, the same as in the ordinary "coupon bond," which are collected in the usual manner of coupons, but the principal sum of the bond itself is registered, and to be collected must be indorsed and forwarded to the proper authority.

The reason for registration is primarily for safety, for should there occur a theft or loss a "registered bond" can be of no value to any one else. There is much inconvenience about a "registered bond" in case of its sale. Most bonds are in coupon form.

Registered Coupon Bond. A bond described under "registered bond." The principal alone is registered, the coupons being payable to bearer, and the interest collected by detaching and presenting the same for payment. The interest on the ordinary "registered bond" is remitted to the registered holder by check.

Registered Letters (and Parcels). Inasmuch as the shipment of coupons, investment securities, or other valuable papers is a very common factor, it seems desirable that no mistake should be made in the use of the mails in that way. An extract from the post-office laws touching upon that subject here follows:

What Should Be Registered. All valuable letters and sealed parcels, and those for which a return receipt or special care in delivery is desired, should be registered.

What May Be Registered — Where, and By Whom. Any matter, properly addressed and bearing the name and address of the sender, admissible to the domestic mails (except fourth-class mail, which may be insured), or to the Postal Union mails (except foreign "Parcel Post" packages for Barbadoes, Curacao, Dutch Guiana, France, Great Britain, Guadeloupe, Martinique, the Netherlands and Uruguay), may be registered. Foreign "Parcel Post" mail must be taken to the post office to be registered, but other mail may be registered at any post office or post office station, by rural carriers, and when sealed and not cumbersome, by city carriers in residential districts.

Registry Fee for each separate article, foreign or domestic, is 10 cents in addition to the postage, both to be fully prepaid.

Return Receipts. When the sender desires a return receipt he should indorse the address side of the envelope or wrapper "Return receipt desired."

An article for registration should not be placed in a street letter box or in a mail drop at the post office. Firm registration books are supplied without cost to those registering large quantities of mail. All matter registered as first-class must be securely sealed.

Indemnity for Lost Registered Mail will be paid as follows:

Domestic mail first-class (sealed) up to $50, actual value; third-class (unsealed), up to $25, actual value.

Foreign mail, amount claimed within limit of 50 francs ($9.65), for total loss (not partial loss or rifling), of a registered article exchanged between the United States and a Postal Union country, except foreign parcel post matter and losses beyond control ("*force majeure*").

Reports of Losses and Application for Indemnity should be made to the postmaster at the mailing office or office of address with particulars of registration, description of contents, and in case of partial loss or rifling with the envelope or wrapper.

The Delivery of Registered Mail may be restricted by the sender under certain conditions, which may be ascertained from the postmaster.

Forwarding and Return. The conditions under which ordinary mail is forwarded or returned apply also to registered matter. No additional registry fee is required in such case.

Identification. Unknown persons applying or inquiring for registered mail, as senders or addressees or their authorized representatives, will be required to establish their identity satisfactorily before the mail or information about it is given them.

Registered Stock. This differs from the ordinary stock, as a certificate of the former cannot be transferred without the signature of the owner (or one authorized to sign for him) being placed upon the books of the company, in which it represents ownership, and the delivery of the certificate.

Regular (or Regular Way). According to the New York Stock Exchange Rules, delivery of the security before a certain fixed hour (2.15 P.M.) upon the first business day following the making of the contract. Regular sales made on Friday, however, go over until Monday before delivery.

Regular Dividend. See "Dividend, Extra."

Reich-Marks. As referred to in "foreign exchange" transactions, exchange on Germany is understood. (See "Mark.")

Reis. See "Milreis."

Reischbank. See "Bank of Germany."

Release of Mortgage. When the holder of a mortgage has received payment for the debt, or satisfaction of the other obligations or conditions which the mortgage was given to secure, it is not sufficient that he should simply relinquish possession of the papers evidencing the security, but must execute and sign a "release of mortgage," as it is called, which the debtor — mortgagor — sends to the office of Register of Deeds and has recorded. This shows a discharge of the obligation and that the property is no longer encumbered with the mortgage.

Blank forms of release may be obtained at many stationers for the particular State in which they are desired for use.

Remainder-Man. The one to whom an estate goes after a certain estate is determined.

Re-margin. To give more "margin." (See that subject.)

Remedy Allowance. This is a variation allowed to the English mint from the specified standard of weight and fineness. As an example, the standard of fineness of the English sovereign is 11-12th fine gold and 1-12th alloy; with a total weight of 123.27447 imperial grains. A variation from this is allowed of .20 imperial grains. That is, the weight of fine gold in the English sovereign must not vary more than

2-10th of a grain from 11-12th of the total weight above given.

In America, we call this legal variation which is allowed by our coinage laws, the " Remedy of the Mint."

Remedy of the Mint. See last subject.

Remit. To transmit money or its equivalent. A " remittance " is the act of transmitting money — bills or the like — to some person at a distance.

Remittance of Money. See " Shipment of Money."

Renewal. A " renewal of a loan " is to extend it after it matures.

Renewal Bonds. Created to extend an issue due; same as " refunding bonds."

Rent-Charge Stocks. An English term much the same in meaning as our guaranteed (leased lines) railroad stocks.

Rentes. Usually the Government bonds of France. The total debt of France amounted, in 1905, to $5 878,822,695, of which $5,005,246,780 was held principally by the industrial classes.[1] It was the largest of existing debts, with Russia next.

Reorganization. Rearrangement of the financial plan or capitalization of a corporation which has been unable to meet its obligations at maturity, so that interest and dividends may be earned and paid. New management may be needed and possible changes in the physical condition of the property. (See " Readjustment.")

Reorganization Committee. By reading the last subject it will be understood that the working out of a new system of capitalization for a corporation in financial difficulties must be placed in the hands of some persons competent to deal with the same. It is the custom for the security holders to select a number of men for this purpose, which are known as the " reorganization committee," and who are often given broad powers, the securities being deposited with some trust company under a plan of reorganization, which may be called a bondholders' or stockholders' agreement, or designated by some such title.

Representative Money. Explained under " Real Money."

Repudiate. To refuse to pay a debt; to dishonour one's obligation or promise.

Reserve. Every " member bank " — national bank, trust company and State bank, belonging to the Federal Reserve System — is required to maintain an actual net balance equal to a certain percentage of its deposits, with the " Federal Reserve Bank " of its particular district, as follows:

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[1] J. Martin Miller, United States Consul at Rheims.

In "central reserve cities," that is New York, Chicago and St. Louis, 3% of "time deposits" and 13% of "demand deposits"; in "reserve cities," that is in over 50 other prominent cities listed under that subject, 13% and 10% respectively; and in "country banks," meaning all other "member banks" located in cities other than those already mentioned, 3% and 7% respectively.

In addition to the foregoing, "Federal Reserve Banks" are required to maintain a "reserve" in gold or "lawful money" of 35% against deposits, and 40% in gold against notes in actual circulation, less gold or gold certificates deposited with the Fed. Res. Agt. as collateral for Fed. Res. notes.

The "Reserve" of the Bank of England is explained under the last part of "Bank of England Statement."

The difficulty of making clear this term as used among those in the business of life insurance is demonstrated by the following extract from a letter from a well-known life insurance official: "It is not as easy as one might think to give a definition of the word 'reserve,' as used in the life offices, that will be immediately recognized by the layman. Even actuaries, when they come to an analysis, dispute on the definition."

The writer has obtained no less than seven distinct and varying definitions for this term, two of which are given below:

"A sinking fund computed each year to be held in possession by the life insurance company in well invested assets at a given rate of interest to make good, with expected premiums, each contract at maturity."

"The reserve is the excess amount charged in the early years of 'level premium policies' to offset the failure to increase the premium during the later years. This reserve is invested by the company, and the proceeds from it make up the deficiencies in the later premium payments."[1]

Reserve Agent. A bank located in either a "central reserve city" or a "reserve city," which, with the approval of the Comptroller of the Currency, may be selected as a depository in which banks in other cities may keep a portion of their "reserve."

Banks in "central reserve cities" may act as "reserve agents" for banks located in either "reserve" or "undesignated cities"; banks located in "reserve cities" only for those in "undesignated cities." (Refer to the subjects in quotations.)

Reserve Bank. Same as "Federal Reserve Bank."

Reserve Banks. Banks and trust companies belonging to the "Federal Reserve System" located in "reserve cities" and "central reserve cities"; also "Federal Reserve Banks" (see those subjects).

[1] *World's Work*, April, 1906.

Reserve Cities. Certain large cities in the United States, other than "central reserve cities," in which all "member banks" in the "Federal Reserve System" are obliged to maintain a certain percentage of "reserve" upon their deposits. Such banks may act as "reserve agents" for "country banks," so-called. (Refer to the subjects in quotations.)

"Reserve cities" are designed to furnish large centers in which country banks may deposit part of their funds for the convenience of being able to draw checks on a large money center. On Jan. 1, 1917, the "Reserve Cities" were as follows:

Albany
Atlanta
Baltimore
Birmingham
Boston
Brooklyn
Cedar Rapids
Charleston
Chattanooga
Cincinnati
Cleveland
Columbus
Dallas
Denver
Des Moines
Detroit
Dubuque
Fort Worth
Galveston
Houston
Indianapolis
Kansas City, Kan.
Kansas City, Mo.
Lincoln
Los Angeles
Louisville
Milwaukee
Minneapolis
Muskogee
Nashville
New Orleans
Oklahoma City
Omaha
Philadelphia
Pittsburg
Portland, Ore.
Pueblo
Richmond
St. Joseph
St. Paul
Salt Lake City
San Antonio
San Francisco
Savannah
Seattle
Sioux City
Spokane
Tacoma
Topeka
Waco
Washington
Wichita

Reserve Excess. Meaning the same as "Surplus Reserve."

Reserve Fund. The English equivalent of our "surplus."

Reserve Held. As used in the "bank statement" this indicates the amount of "reserve" (see that subject) as actually held by the banks, without regard to the legal requirements.

Resources. Property of all kinds; everything owned; cash on hand, notes and bills receivable, merchandise; in fact everything that one possesses, including what is due him.

Respondentia. A loan on the cargo of a vessel, payment being contingent on the safe arrival of the cargo at the port of destination — the effect of such condition being to except the contract from the common usury laws.

Respondentia Bond. When a contract is given securing a vessel to the lender as a pledge for the payment of the loan, it is termed a "Bottomry Bond," but when both the ship and the cargo are pledged, it is a "Respondentia Bond."

Rest. Surplus or undivided profits; the accumulated and undivided profits of the "Bank of England" are its "rest." With us "surplus" is the term commonly used.

Restrictive Indorsement. Sometimes the indorser of an instrument may wish to prevent its further negotiability, and attaches some words to his indorsement to that effect. This is a "restrictive indorsement." Examples, "For collection" or "for account of," or "pay to James Frazer only."

Resumption of Specie Payment. First, read "Suspension of Specie Payment." On Jan. 14, 1875, what was known as the Resumption Act was approved, by which the Secretary of the Treasury was directed to make provision for the redemption of United States notes, or "greenbacks," in coin, beginning with Jan. 1st, 1879, and further authorized him to use surplus revenues, as well as to sell bonds at not less than par in coin, for that purpose.

Retreating Market. Prices declining.

Return. We speak in this country of the "Bank Statement." Abroad, "return" is used as the equivalent to our "statement." For example, "Return of the Bank of England."

Revenue Bonds. A temporary debt created for the purpose of raising funds for current expenses, and in anticipation of the collection of taxes. Such a debt, however, is usually in the form of notes.

Ribs. Refer to "Short Ribs."

Rich Man's Panic. The meaning of the word "panic" being understood, which will be found explained under that subject, it will be an easy matter to comprehend that "rich men's panics" are sudden declines in stock market values brought about by the wealthy speculators and operators suddenly trying to convert their holdings into cash, resulting in injury to themselves rather than to the small speculator or trader.

Rigged. A term which has about the same meaning as "manipulated." When the stock market has been "rigged" it is understood that events have been made to transpire in accordance with the wishes of those powerful enough to effect such results. A trap is rigged to catch the unwary animal; the market is rigged to catch the unwary speculator or investor.

Right Price. First understand "Options." In London it is usual to refer to the ordinary market price for a forward bargain in firm stocks as the "right price" for the period in question.

Rights. When a corporation has occasion to bring out a new stock issue, the privilege may be given to the stockholders, as of record at the time, to subscribe for the new stock at a price less than the existing market quotations of the old stock. The number of shares of new stock to which one may subscribe depends upon the number of original shares which he owns. The privilege attached to each original share is one "right"; it is used in the plural when two or more original shares are held. Such a privilege generally has a value — the value largely depending, of course, upon the price at which the original stock is selling in the market — and if the stockholder does not wish to avail himself of it, he can usually sell the "right" to subscribe in his stead to some other party. "Rights" are dealt in much the same as other securities. They may apply to other securities than shares of stock. (See "Arbitrage.")

When a stockholder receives "rights" he should not consider them as dividends, even although they have a value, for it is usual for the old shares to decline in the market about the equivalent of the value of the "rights."

A peculiar situation exists in Massachusetts where the Tax Commissioner is obliged by law to treat the proceeds of the sale of rights as income, and the Probate Courts treat it as part of the principal.

In order to determine the value of a "right," the following rule is applied:

"From the market price of the old stock subtract the subscription price of the new; divide this remainder by a number one greater than the number of old shares required to secure one new share."

Ring. As used in reference to speculation, it is practically the same as "clique."

Rio Tinto. Rio Tinto Co., Ltd. A copper mine located in Spain; largely an English and French owned corporation. The stock is extensively handled in London.

Rios. Used in London to designate the "ordinary shares" of the Rio Tinto Co., Ltd.

Rolling Stock. Locomotives, cars, hand cars, snow plows; in fact all such equipment of a steam, electric, or other railway.

Room Shorts. (See " Selling Short.") Members of the stock exchange and who do the actual trading thereon; that is, " board men," who have been " selling short."

Room Traders. See " Traders."

Round Transaction (or Trade). A complete transaction; *i. e.* buying what has been sold, to make good one's contracts, or selling what has been bought. A purchase of 100 shares of Union Pacific followed by its sale is a " round transaction."

Round Turn. Explained under " Cotton."

Royal Blue Line. The Baltimore and Ohio R. R. Co.

Royal Exchange. Where transactions in foreign exchange occur in London.

Rs. The sign for the " rupees " of India, as $ is for our dollar. (See also " Rupee.")

Rubber. United States Rubber Co.

Rubber Goods. Rubber Goods Manufacturing Co.

Ruble. The unit of money in Russia, and equal to 51½ cents in United States money.

Run.[1] " Run on a bank." A prevailing belief that a bank is insolvent, or in a condition likely to make it difficult for the depositors to secure their money on demand, often causes a sudden panicky rush among the bank's depositors for the purpose of withdrawing what is due them. This is referred to as a " run " and sometimes brings financial disaster to the bank, or at other times a prompt payment of all claims may restore confidence, stopping the " run."

Runner. A bank's " runner " is its messenger. (See " Tout.")

Runner's Exchange. To comprehend this, an understanding of the matter under " Clearing-House " is first necessary. The " runner's exchange " is an adjunct of the Philadelphia Clearing-House. It is a secondary exchange, as it were, which

[1] James William Gilbart, writing in 1834, said: " In the year 1667 occurred the first ' run ' of which we have any account in the history of banking. The business of the new-fashioned bankers had increased so fast, and they had become so numerous, that their trade was supposed to be at its height in this year; when, during the time that a treaty of peace was under consideration, the Dutch fleet sailed up the Thames, blew up the fort of Sheerness, set fire to Chatham, and burned four ships of the line. This disaster occasioned great alarm in London, particularly among those who had money in their banker's hands, as it was imagined that the king would not be able to repay the bankers the money they had lent him. To quiet the fears of the people, the king issued a proclamation, declaring that the payments to the bankers should be made at the Exchequer the same as usual."

takes place later than the regular morning "clearing." It includes items due that day and received in the morning mail, which are made payable at the banks, and saves the necessity of the "runner's" going from bank to bank, which, in Philadelphia, is a laborious task, owing to the widely distributed territory which they cover.

Inasmuch as the regular "clearing" for the day takes place at an early hour in the morning, covering only items for the previous day, the "runner's exchange" enables the banks to ascertain before closing, whether or no items received that day are good.[1]

Running Account. See "Open Account," which is the same thing.

Rupee. Although the "sovereign" (pound sterling) is the standard coin of India, the silver "rupee" is the "money of account;" that is, the actual money in current use, and is current at the rate of fifteen to the sovereign. A "rupee" is equivalent to $.3244⅓ United States money.[2] An American dollar is roughly reckoned as the equivalent of three "rupees."

"Rs" is the sign of the "rupee." A "lac" is used to designate 100,000 "rupees." The method of writing and pointing off sums of Indian money in excess of a "lac" is thus: Rs 80,35,000, indicating 80 "lacs" and 35,000 "rupees" over; equivalent to 8,035,000 "rupees." A "crore," as a "crore of rupees," is 10,000,000 "rupees" or 100 "lacs."

INDIA MONEY TABLE

1 pie	=			$.0016899 +
12 pies	=	1 anna	=	.0202791 +
16 annas	=	1 rupee	=	.3244⅓

Rupee Paper. The Government securities in India being payable, both principal and interest, in "rupees" (a silver coin equal to $.3244⅓ United States money), are termed "rupee paper." When, however, payment is demanded in England, bills of exchange on Calcutta are given.

Rutland. Rutland Railroad Company.

[1] This exchange ceased to exist Feb. 1, 1907, as the Philadelphia Clearing-House Association decided to abolish it and consolidate the two "exchanges" into one daily "exchange" at 10 o'clock.

[2] Treasury Department Circular, October 1, 1905.

S

s. The sign for the English "shilling." The modern way of indicating shillings, however, is by an oblique line between the sums for shillings and pence; as, for instance, 5*s.* 4*d.* is written 5 / 4.

Sack. A sack of export flour contains 140 pounds. A sack of Rio coffee is estimated at 200 pounds and Java at 133 pounds.

Saddle. To force an undesirable security upon any one would be to "saddle" him with it.

Safe Deposit Companies. Companies incorporated for the purpose of receiving upon deposit, for storage and safe-keeping, stocks, bonds, and other valuable papers, money, bullion, jewelry, household gold and silverware, and such other valuables as it is considered wise, not only to store beyond the risk of fire, but also of burglars. Such companies are supposed to have very extensively built vaults, furnishing sufficient protection for these purposes. In addition to storage room for valuables of a more or less bulky nature, these companies have what are known as safe deposit boxes, the rental of which really constitutes their principal business. In these boxes, which are of various sizes, the rental varying proportionately, may be kept investment securities and valuable papers. The access to such a box is obtained by the lessee possessing a key, which will only unlock the box after a previous unlocking of the same by an employee of the safe deposit company, who has what is known as a "master key," neither one being able to effect an entrance without the other. The necessity for this safeguard is self-evident. It is very customary, also, for the customer to be given a password, which, in case of doubt upon the part of the employee as to the customer's identity and right to seek entrance to the box corresponding in number with his key, he may give the password, which must be found to correspond with the records of the company before doubt may be removed.

Advice to all investors and owners of securities cannot be too strenuously urged in regard to the renting of safe deposit boxes, and to further impress this advice upon such persons, reference is here made to another part of this book: viz., "Care of Securities."

Sag. "The market is sagging." A small but general decline in prices. "The market did not break, it sagged." Think of a telegraph wire suspended from two poles, covered with a frozen mass of ice and sleet; sagging is one thing, breaking is more serious.

Saint Paul. Chicago, Milwaukee, and St. Paul Ry. Co.

Sale to Arrive. A sale dependent upon the safe arrival of goods in transit.

Salt. A mine is "salted" when good ore is placed there artificially for the purpose of deceiving.

Sanitary District Bonds. Separate municipalities, not territorially the same as the cities which they embrace, but, usually, greater in extent, have at times been formed for the purpose of securing pure water supplies, removal of sewage, etc. The Sanitary District of Chicago is the most notable example. It has its own officials and creates its own indebtedness, for which all the taxable property therein is held for payment. It is 358 square miles in extent; embraces all of Chicago and considerable adjacent territory, and is legally permitted an indebtedness of not exceeding 5% of the assessed valuation. The well-known "Chicago Drainage Canal" is the effort of this district.

Santa Fé. The Atchison, Topeka & Santa Fé Railway Co. Also Santa Fé Gold & Copper Mining Co.

Satisfied. When an indebtedness or obligation is paid, it is said to be "satisfied."

Savings Bank (or Institution). A bank organized under the State laws, or under Federal laws if in the District of Columbia, for the purpose of receiving deposits, the intent being that such deposits shall largely be the savings of the small earners, such as labourers, wage earners, and small salaried persons in general, who are not expected to be in a position to intelligently invest money for themselves, and whose savings are so small that no adequate form of investment can easily be found. The aggregate of these savings in any one bank is supposed to be invested by an intelligent board of men elected for that purpose, usually called the "Board of Investment" or "Finance Committee." The legal restrictions placed upon the investment of "savings bank" funds vary greatly in different States, some being very strict and conservative and properly safeguarding the interest of the depositors; others woefully lax and unsafe. At present the States with the best regulations, beginning with the most conservative, are New York, Massachusetts, Connecticut, and then perhaps Vermont, Maine, and New Hampshire.

In selecting a savings bank for the purpose of making a deposit, one of the essential things to consider is the class of securities in which the funds of the institution are invested. A list of a bank's investments may be generally obtained from the officials of the bank under consideration. Failing to obtain one there, application may be made to the Board of Savings Bank Commissioners at the State Capitol, for the last Annual State Savings Bank Report. It is customary, in most States, for these reports to list, separately, the security holdings of each institution.

One able financial writer makes a very good point that institutions of this kind do not conduct strictly a banking business; that is, they take deposits not for their own use, but for the safe-keeping and benefit of the depositors, making safety a consideration before profit.

Although there are thousands upon thousands depositing in the savings institutions of this country, yet there are countless others who ought either to place their funds therein or a greater proportion than they now do. Small as may seem the interest returned to the depositors by these institutions, yet it is a fact that they furnish by far the safest and, in the long run, the most profitable employment for the savings of a great majority of people of limited means. The larger bulk of the loss which the uninitiated incur by speculating in State and Wall Streets could be avoided if temptation could be resisted, and their earnings turned into the savings institutions rather than squandered upon the gambling wheel of speculation.

An idea of the growth of a savings bank account may be gathered from these figures: 25 cents saved weekly and compounded twice a year at 4% per annum will amount to $403 in twenty years; 50 cents will amount to $806; and $5.00 to $8,070.

Interest ranging from 3 to 5%, according to the bank, is paid on money deposited.

The laws of different States, or the regulations of different banks, vary more or less as to the amount which any one depositor may have standing to his credit on the books in any one bank. Unfortunately, this rule is easily avoided by a depositor making use of the name of his wife, mother, sister, etc., and opening up accounts under their names.

The deposits of all the savings banks[1] of this country are estimated at over $6,500,000,000, belonging to 11,427,000 persons and divided among 1,237 banks. In 1820 there were but ten banks, $1,138,576 deposits and 8,635 depositors.

It may interest some to know that we are indebted to Daniel Defoe of "Robinson Crusoe" fame, as the originator of the modern "savings bank" idea. One was founded in Hamburg in 1778 and at Berne in 1787, the idea having been suggested by Defoe in 1697. The Rev. H. Duncan, of Ruthwell, Dumfriesshire, is, however, known as the "father of savings banks," as he established one in 1810, which at the end of four years had accumulated $5,800. Acts to encourage

[1] In addition, on June 30, 1920, there were 508,000 depositors having $157,276,000, in the Postal Savings System.

"savings banks" were passed in 1817 in England. (See also "Mutual Savings Bank.")

Savings Bank Account, How to Open. See "How to Open a Savings Bank Account."

Savings Bank Bonds. As this term is used among financiers, bonds which certain Eastern States that have passed the most conservative legislation in relation to bonds in which the savings banks therein may invest, as New York and Massachusetts, are commonly understood. The term may, however, be used to refer to bonds which the savings banks of any State may buy provided that State has passed any restrictive legislation whatsoever in relation thereto.

Savings Banks with Capital Stock. Explained under "Mutual Savings Bank."

Savings Institution. See "Savings Bank."

SB. The "ticker" abbreviation for "small bonds."

SC. The "ticker" abbreviation for "scrip."

Scaled. When a corporation or municipality is unable to meet the principal of, or interest on, a debt, and is able to arrange a continuation of the debt at a lesser rate of interest, or an extension of the debt for a lesser principal sum, or both of the above, then the interest has been "scaled," or "the debt scaled," or both, as the case may be.

Scaled Buying or Selling. Transactions of a security made in equal amounts upon a scale of prices; for instance, a "scaled buying" of Union Pacific may be buying lots of 100 shares each as the stock advances every two points.

Scalping. "Scalping points off the deal." This expression has reference to those taking advantage of what seems some hidden scheme in process of consummation, causing an advance in prices of certain securities. Although, not knowing just what the "deal" is, such persons take advantage of the rise in prices and buy and sell accordingly, making small profits. By this method, they are said to have been "scalping" profits. Making a quick and small profit is "scalping."

Scandinavian Union. Norway, Sweden, and Denmark have adopted the same monetary unit, viz.: a single gold standard with the krone, or crown, as the unit, which equals about 26.80[1] cents United States money.

School District Bonds. See "Board of Education."

School Savings Banks. A system adopted by many schools throughout the country to encourage saving among the pupils. The money saved by them during the week is collected by the teachers once a week at the opening of the school

[1] Oct. 1, 1905, circular of the United States Mint.

session, and turned over to the principal, he placing it in a savings bank in the name of each depositor.

The statistics for Massachusetts for October 31, 1916, are interesting as showing the growth of this system, which had been in force in that Commonwealth for 5 years: — There were 61 savings banks receiving such deposits. During the year, 649,055 deposit accounts were received, amounting to $233,843.59. From the inception of the system, 2,617,155 deposit accounts had been received, amounting to $903,846.93. The number of depositors who had accumulated savings sufficient to be entitled to receiving a savings bank deposit book amounted to 78,965.

Scrip. In financial transactions, a temporary paper or certificate is often issued, to be exchanged later for money or a permanent certificate, or whatever the "scrip" entitles the holder to receive. "Scrip" is frequently issued during a reorganization, or stock conversion, to represent fractions of shares of stock. When enough of these are presented to represent a whole share they may be exchanged for one. "Scrip" is a name applied to a paper entitling a person to the receipt of a dividend to be paid later, but in common usage such a paper is called a "due-bill." During the Civil War, and shortly following that time, fractional paper currency was issued called "scrip."

Scrip Dividend. Sometimes corporations wish to declare a dividend in some other form than cash, or declare what is known as a "stock dividend," and, to that end, may issue what substantially amount to "due-bills," carrying no voting power, but generally at some later date convertible into stock or cash; but no dividends would be declared upon the same until conversion had taken place, although they might bear interest in the meantime.

S. D. M. J. September, December, March, and June; interest or dividends payable quarterly beginning with September.

Sealed Bid. When an issue of bonds is offered for sale and for which the intending buyers must submit "sealed bids," such buyers must state clearly in writing what they will pay for the bonds, in accordance with the conditions imposed by the seller. The buyer, usually, adds such conditions regarding the legality of the issue, etc., as may seem to him wise. Most issues of municipal bonds are sold in this way. The "sealed bids" must all be in by a fixed date and should properly be opened in the presence of those authorized to make the sale, and, so far as may be, at the same time. This ensures all bidders being treated alike. After opening the bids the bonds are "awarded," or sold, to the highest responsible bidder who is given a reasonable time to satisfy himself as to their being as advertised, and valid. Sometimes a deposit is required of a certain amount in cash, or its equivalent, with each bid, which is called a "forfeit." It is customary to use for this purpose a "certified check" for the amount required, and made payable, for instance, as follows: "Pay to the city of New Orleans, when accompanied by one hundred thousand dollars, par value, of legally issued bonds of the said city" — describing the bonds. This prevents the use of the check by the city in case it cannot, or does not, comply with the conditions as to legality imposed by the bidder.

The question of the proper wording of a "sealed bid" has been much discussed and different forms are in use, but after describing the issue, for which the bid is being submitted, the following wording may be used as a protection to the bidder.

"The usual papers evidencing the legality of the issue *satisfactorily*[1] to our attorneys to be furnished us prior to our taking up and paying for the bonds."

It is not unusual for municipalities, in advertising for sale an issue of bonds upon which sealed bids will be received, to reserve the right to reject any or all bids. This safeguards them against the necessity of making a sale, provided no satisfactory bid is received.

Seat. One who possesses membership in an "exchange" would be said to possess a "seat" therein.

Seat on the Stock Exchange. See "Stock Exchange Seat."

Second Consolidated Mortgage Bonds. An issue secured by a mortgage subsequent to one "consolidated mortgage" (refer to "Consolidated Mortgage Bond") already covering the property, and to all other prior mortgages. It bears, roughly speaking, the same relation to all the earlier mortgages as the "consolidated mortgage" issue does to all issues prior to that one. A bondholder of this class must consider the sum total of all prior indebtedness secured by the "first consolidated" and earlier mortgages, in order to determine what value, if any, there is left in the property to secure his investment. It must certainly rate along somewhere with a "third mortgage" and perhaps a "fourth." Yet the rapid increase in the value of the property due to good business and large improvements may warrant the debt.

Second Mortgage. A mortgage placed upon property which already has another mortgage existing upon it; for instance, a certain piece of real estate supposed to be worth $10,000 has already existing upon it a mortgage for $5,000; the

[1] Note the spelling of this word.

owner wishes to borrow $2,000 more, and finds some one who is willing to accept a "second mortgage," upon the same, for that amount, making the total mortgage indebtedness against the property $7,000. Suppose the owner of the property is unable to pay the interest, when due, on the "second mortgage;" in order for the holder of this mortgage to protect himself, he must foreclose the property under his own mortgage and pay the holder of the first mortgage his due.

In taking a "second mortgage" one should have reason to believe that the property will, at any time during the life of his mortgage, bring at forced sale a price sufficient to pay off both mortgages, because the first mortgage must be satisfied in full before the "second mortgage" holder receives anything.

Second Mortgage Bond. A bond secured by a mortgage upon a property which already has one other mortgage existing upon it and which mortgage would have prior claim upon the property and its earnings. (See "Second Mortgage.")

Second of Exchange. See "Set of Exchange."

Second Preference Shares. The English equivalent of our "second preferred stock."

Second Preferred Stock. See "Preferred Stock."

Seconds. Second mortgage bonds.

Quotations in the newspapers regarding money rates appear something like this: "The first commercial paper sells at 5%, good names sell as high as 5¼%, the names that are termed 'seconds' sell as high as 5½%." "Good names," of course, refers to the makers of notes, who, in this case, are rated at a high standard of credit. "Seconds," therefore, would refer to the next class of borrowers with not so good a standing.

Second Teller. The "receiving teller" of a banking institution.

Second United States Bank. The organization of many local banks followed the refusal to renew the charter of the First Bank of the United States, which had expired in 1811. These new banks, together with the existing war — 1812 — with England, produced wild financiering and bank note inflation. As a check upon these local banks and as a means of returning to specie payments, the Second Bank of the United States was chartered by Congress, April 10, 1816. It was to run for twenty years, and was established at Philadelphia, with nineteen branches in other parts of the country. The capital was $35,000,000, to which the Government subscribed for one-fifth. The charter provided for the deposit of public moneys in the bank, unless otherwise ordered by the Secretary of the Treasury. At first, the bank was not a marked success;

there was more or less scandal attached to it. It went to the verge of bankruptcy as the result of the most flagrant kind of bad banking, and, instead of proving a check to the local banks in their wild careers, it excelled them in their own loose methods. Later, it became a sound and solid institution, and grew to have twenty-five branches.

Twenty directors were elected each year by the stockholders, and five appointed by the President, subject to the confirmation of the Senate. During most of the bank's existence — from 1823 until the charter expired — it was under the Presidency of Nicholas Biddle, who was both a Government director and an elected director, so during his management there were but twenty-four directors altogether.

Trouble was precipitated by opposition to the management of the Portsmouth, N. H., branch. President Jackson grew hostile to it, probably on account of not being able to control the bank's appointments and actions politically. Jackson had collected around him a little coterie of well-known characters, other than members of his cabinet, who were referred to as his "Kitchen Cabinet," prominent among whom were Duff Green and Francis P. Blair, aided by their newspapers, Isaac Hill, of New Hampshire, and Amos Kendall, of Kentucky. As Sumner well puts it, "Andrew Jackson's power and popularity, moving now under the impulse of the passions which animate an Indian on the war-path, were the engine with which these men battered down a great financial institution."[1] An effort was made to renew the charter in 1832, and, although passed by Congress, was vetoed by Jackson. In 1833 he ordered the public moneys to be no longer deposited in the bank, but distributed among certain State banks.

Jackson professed to believe, as is shown by his message of 1835, that the bank had been in opposition to the Government for four years, which proved the evil effects of such an institution. He declared the bank to belong to a system of distrust of the popular will as a regulator of political power, and to a policy which would supplant our system by a consolidated government.

There had been more or less opposition to the bank throughout the country. At one time, the popular feeling was such that Kentucky and other States tried to tax the branches out of existence. The local banks naturally anticipated with pleasure the removal of their large competitor, and quite generally lent their aid to Jackson's scheme of destruction.

[1] Life of Andrew Jackson by William Graham Sumner. From this admirable volume, and John Fiske's "History of the United States," the writer drew largely for information regarding the bank.

There was quite a general belief that the bank had too great a monopoly. There was an objection to the large foreign stockholding; the system of making payments at one branch with drafts on another was a grave error, etc., but in spite of all this, there was a great public confidence in the bank which nothing was able to shatter, as is evidenced by the following figures: On January 1, 1833, previous to the removal of the Government deposits, the assets stood at $80,800,000; liabilities, $37,800,000; besides a capital stock of $35,000,000, for the payment of which there was $43,000,000. The circulation was $17,500,000.

The Government shares were paid off at the rate of $115 per share. In January, 1836, about two months before the bank went out of business, the stock was quoted at $116.

Secured Creditor. One who has certain property as security for the entire or partial satisfaction of his debt.

Securities. All forms of investments; stocks, bonds, mortgages, etc., of every kind; the written or printed papers that represent the ownership of corporations, or the lender's evidence of the borrower's indebtedness.

Securities Companies. These are " holding companies " (to which refer), corporations formed to hold the shares of other companies. The shareholders of the " securities companies " own through this medium interests in other corporations.

Security Bills. " Bills of exchange " (which should be understood first) drawn against shipments of stock, bonds, or other securities. (See " Documentary Commercial Bill.")

Security Exchanges. Sometimes " stock exchanges " are referred to as " security exchanges."

Security Insurance. A method of guaranteeing the interest or principal, or both, of a security — bonds, mortgages, etc. If the company is satisfied with the risk, and the insured with the premium asked, it will guarantee the latter against loss from non-payment of the security in question.

Seigniorage. In the United States, this term has reference to the profit arising from the coinage of bullion. As the Government does not purchase gold bullion, but coins it for private account, there is no profit on such coinage, the face value of the coins being the same as their bullion value. There is, however, a profit on the coinage of silver dollars based on the present ratio of sixteen to one; therefore, when silver bullion is purchased and coined there is a profit arising from such a transaction, as the commercial value of silver is at the present time far below the coinage value. " Seigniorage " is, therefore, the profit arising from the difference between the face value of the coin and the commercial value of the metal which it contains.

Sell at the Market. An order to one's broker to "sell at the market" gives the broker authority to sell the security described at the best obtainable price.

Sell at the Opening. An order to sell immediately after the opening of the stock exchange at the best price obtainable.

Sellers. "Sellers 71:" offered at 71.

Seller's Option. A stock exchange term for a contract under which the seller of a security need not make delivery until the end of a specified time. He also has the right to make delivery any time within the period covered by the contract, by giving one day's notice to the buyer. The understanding is briefly expressed as "seller 4," "seller 10," the figures indicating the number of day's provided for in the agreement. By the New York Stock Exchange rules the time must be not less than four nor more than sixty days.

Upon Boards of Trade and Produce Exchanges, where grain, cotton, coffee, etc., are dealt in, this method of trading also exists with special rules and customs. (See "Delivery Day.")

Seller the Month. A contract by the terms of which the party selling may make delivery any time within the month.

Seller the Year. A contract by the terms of which the party selling may make delivery any time within the year.

Selling at a Premium. Selling at a price higher than the par or face value of the security. (See "Premium.")

Selling Off. Prices declining.

Selling on a Scale. Selling at regular intervals as the market prices change. Example: A certain stock at 96, 98, 100, and so on, at every advance (or, reversing it, at every decline) of 2%, selling a stated amount each time.

Selling Order. An order given to a broker to sell a certain security, with or without limit as to price, as the case may be. (See "Sell at the Market.") An order to sell is good for the day for which it is given unless otherwise specified. Sometimes an order is given "good until countermanded," or "good until cancelled," by which the broker understands there is no definite limit as to time, but brokers, as a rule, remind their customers at frequent intervals regarding such an order, to be sure that the customer wishes it still to remain in force.

Selling Short. Selling something which you do not own with the expectation that the market price of the same will decline so that the security or commodity can be bought at a less price in season to fill the order; those in possession of advance information regarding a stock, or who think it too high, "go short" of that stock — sell for future delivery — to profit by the anticipated drop in price. The most noted example was in the case of the Northern Pacific Railway stock, the "selling short" of which caused so much misery on May 9, 1901. Certain bankers in New York had obtained control of most of the Northern Pacific stock. This was unknown to the public at large. An impression spread about that Northern Pacific was very high and that there would be a decline in price; the result was that many people sold it "short." There was much more stock sold in this way than there was stock in existence outside of that held by the bankers above mentioned, and the people who had sold "short" were unable, therefore, to buy enough to meet their contracts. The result was that the stock rapidly advanced, numerous failures resulted of concerns who were unable to fill their orders at any price, and, in other cases, an enormous advance in price was paid by people who did succeed in filling their orders.

The query will naturally arise as to how delivery may be made in the event of one's selling what he does not possess. For an explanation of this, turn to "Borrowing Stock."

Sell Out. An understanding of buying on a "margin" is first necessary. If a customer is unable to furnish "margin" when called for by his broker, and the latter closes out the account, he is said to have sold out his customer.

Semi-Annual Interest. Interest payable twice a year. If interest on a bond is payable January 1st, the next corresponding half yearly period would be July 1st. The interest, or dividends, upon most investments are payable semi-annually.

Semi-Tontine Insurance. See "Tontine Insurance."

Senior Mortgage (or Lien). First, or prior mortgage; having precedence over some other mortgage or lien. "Senior mortgages," when used in reference to some particular mortgage, would indicate all mortgages having prior claim (senior to) that one.

Serial Bonds. An issue of bonds which is payable in instalments. In California, every municipal issue must be made payable — and paid, not refunded — during forty years from its date.

A "serial bond" needs no sinking fund. It takes the place of a sinking fund, and is one of the best methods of accomplishing results ordinarily obtained through the creation of one. The State of Massachusetts has very wisely made it obligatory for every Massachusetts municipal bond issue to be in serial form and payable within twenty years. Alfred D. Chandler of Boston is recognized as the leading authority on serial bonds in this country.

The recent very able city treasurer of Boston, Mr. George U. Crocker, suggests a plan for the issuing of "serial bonds" perhaps better than anything yet attempted. Instead of making the issue due in equal amounts yearly — by which method the greatest burden upon the tax-payer would be during the first year, as the interest on the issue would then be greater, the burden growing proportionately less each year — Mr. Crocker proposes that the issue shall be made due in such annual instalments, which, taking into consideration the interest, shall make the total amounts necessary to be raised each year approximately equal. As the interest upon the issue would constantly be growing less, the principal sum falling due each year would consequently be greater. Mr. Crocker has evolved this formula by which may be easily ascertained the amount of principal sum which should be due yearly under his plan:

P = total issue of bonds.
D_1 = amount to be drawn or paid 1st year.
D_2 = amount to be drawn or paid 2d year.
r = rate.
n = number of years to run.

Then $D_1 = \dfrac{Pr}{(1+r)^N - 1}$

$D_2 = D_1(1+r)$

$D_3 = D_2(1+r)$, etc.

The objection to "serial bonds" arises entirely from the point of view of the investor, as it may be impossible for him to procure an amount of an issue due in one year sufficient to satisfy him. This method of payment is objectionable to a great many investors, and, in Mr. Crocker's case, a working out to the actual amount maturing annually would naturally result in many bonds of odd denominations, which are, as a rule, undesirable. He, therefore, says that as "it (the formula) cannot be used to definitely fix the amount of principal to be paid each year for the reason that we must pay in even thousands, my idea would be to use the formula first and then adjust the results so that even thousands of principal would fall due yearly."

It would be wise for anybody contemplating bidding for an issue of "serial bonds" to refer to the subject "Net Return upon the Investment," as the basis for figuring the income return upon "serial bonds" has been confusing to many even experienced bankers.

Under this subject it may be as well to treat of another bond of this nature, a typical example of which is illustrated in the case of the American Mail Steamship Company. This company issued some 6% bonds, the whole issue being payable in ten annual instalments, but instead of certain bonds being due each year, one tenth of each bond was made so payable, being made up of ten principal coupons of $100 each, besides the coupons for the interest, the interest coupons growing proportionately less in amount from year to year. This method treats every bondholder without partiality. In case of the bonds eventually proving an unsatisfactory investment, each holder would have had equal amounts paid off on each bond. In case of certain numbered bonds maturing each year, the holders of the earlier numbered bonds, in the event of financial insecurity of the issue, would have been the fortunate ones. The objection, of course, to a partial payment bond — by which this plan of issue should be technically known — is that unless the investor owns a considerable amount of them, it will call for the re-investing of a small principal sum annually, which is often undesirable. Theoretically, however, the partial payment bond is the true method of payment, as all holders fare alike.

Set of Exchange. (See " Exchange.") When a commercial house in one country draws a bill of exchange against one in another, it sometimes writes these in duplicate, possibly triplicate, each being addressed in a separate envelope, and sent by different routes to avoid inconvenience in case of delay in the mails. Of course only the first one of these presented is paid. These are called " Set of Exchange," collectively, and " First of Exchange," " Second of Exchange," or " Third of Exchange," individually.

Settlement-Day. See " Account-Day."

Settling Price. This amounts to the same thing as the " delivery price " as described under " Stock Exchange Clearing-House."

Seven Day Bills. In the " Bank of England Statement " (to which subject refer) there appears this item: " 7-day and other bills." The Bank Statement appears weekly upon Thursdays. " Seven-day bills " are " bills of exchange " maturing between the dates of such statements. For example: All bills falling due for payment between the 18th and 25th of the month will appear in the statement of the 18th as " seven-day bills," or " short bills."

To be more explicit, the term " seven-day bills " signifies the amount of seven-day " sight drafts " which the bank has issued to customers who wish to make a payment in what is practically a Bank of England note. To all intents and purposes, they are checks, with the one exception that they are not payable " on demand."

Seven Thirties. Bonds bearing interest at the rate of 7.3% per annum. The writer knows of no such bonds being issued at the present time, but they were more or less frequently met with in the past, and some issues are still outstanding. The peculiar rate was based on its being equivalent to 2c. per day interest for each $100 invested. During the years of the Civil War, the United States Government borrowed large amounts by the issuance of "seven thirties." Among municipalities, Newport, Kentucky, has given us an example.

SF. The "ticker" abbreviation for "sinking fund."

Shade. To "shade" the price: to make a slight concession in the price.

Shaded Off. This expression is commonly used in reference to a slight decline in market quotations.

Shaking Out. When, by a process of manipulation, the owners of stocks have been forced to sell, the stock exchange broker refers to this as a "shaking out" of stocks. It is used in reference to most anything speculated in.

Shareholder. See "Stockholder."

Shares. When this word is used in relation to investments it has the same meaning as the word "stock," but is more commonly used in England, Canada, etc., than in this country, where "stock" or "shares of stock" are the usual expressions. Still, in England they distinguish between "shares" and "stock," as will be seen by referring to the latter subject.

Shaving a Note. Discounting a promissory note at a rate in excess of the "legal interest." Imagine the legal interest rate 6%. $30 would be the greatest amount legally collectable on a six months' note for $1,000, drawn with interest payable at maturity. To get around this, a note may be drawn for $1,000 without any mention whatsoever of the rate of interest, but such sum as may be agreed upon deducted at the time the note is purchased or negotiated. In other words, the note would be "discounted" for $75 or $100, or whatever the agreed amount. (See "Discount.")

Sheared. See "Fleece," meaning the same.

Shekel. The "shekel" of the ancient Jews signified a weight. In those days money had no regular shape, and was without marks or devices. Thus precious metals were computed by weight when used in payments. A "shekel's" weight was a little less than a troy half ounce.

Modern slang utilizes "shekel" to indicate that one has money as "he has the 'shekels.'"

Sherman Act. On July 14, 1890, the "Bland-Allison Law" was repealed and the "Sherman Act," so called, substituted in its place, directing the purchase of 4,500,000 fine ounces of silver each month, or at least that proportion which could be purchased at a market price not exceeding a coinage value of $1.2929 per ounce.

In 1893 it was found that the price of silver was declining so rapidly — a panic in the silver market occurring in July in London, when the price fell below thirty pence per ounce, which would be equivalent to a ration of 1 to 31.43 — that it was deemed advisable to repeal the purchasing clause of this Act, which Congress did on November 1st, of that year.[1]

Sherman Notes. See "Treasury Notes of Act of July 14, 1890."

Shifting Loans. Paying off loans by borrowing elsewhere.

Shilling. A silver coin of Great Britain equal to 1-20th of the pound sterling, or 12 pence, and equivalent to 24.3 cents our money.

Shinplasters. A popular name for the "fractional currency" issued for small change during the Civil War. After the war of 1812, when metallic money was scarce, business houses issued scrip which went by this same name.

Ship and Draw. By which is understood that the security, note, commodity, or whatever it may be, may be forwarded to the proper party, and a "draft" for the amount due sent through a bank, and that it will be promptly paid upon presentation.

Shipment of Money. Modern conveniences solve this problem very easily.

First: The shipment of the actual money itself: For small amounts registered mail may be used, but the Government liability is limited to $25 in case of loss. Express companies provide a good means — but be sure to *value* your package up to its full worth. The correct way is to hand the money to the company and let them count it, enclose and seal it in an envelope, and give you the proper receipt.

Second: Transfer of the equivalent of money, "postal money-orders," "cashiers' checks," "certified checks," "express money-orders," "letters of credit," "commercial bills," "certificates of deposit," "cable transfers," and "telegraphic transfers," all of which are explained under those separate subjects.

Ship with Draft Attached. The same as "ship and draw," except that the whole transaction goes through the bank, and no delivery of the note or security, etc., will be made except in exchange for the amount due.

Shoe Machinery. United Shoe Machinery Co.

[1] United States Treasury Department Circular No. 72.

Short. See " Selling Short."

Short Account. (See " Selling Short.") All of a particular security which has been sold " short " or all of the securities of every kind which have been sold " short." In trading in grain or other commodities the same term is used.

Short Covering. When any one has sold a security " short," and thinks it the proper time to buy it, in order to make delivery in accordance with his previous agreement so to do, he " covers his sale." This is called a " short covering." The " shorts are covering " when a number are doing this simultaneously. (See " Selling Short.")

Shorter's Court. The court outside the London Stock Exchange to which those having transactions with the American market adjourn after four o'clock, London time, when dealing ceases on the London exchange. This may be considered as the London " curb market," although not so called on that side of the water.

Short Exchange. A " bill of exchange " running for not more than thirty days; also called " short-dated exchange," " short bill," and " short-dated bill."

Short Interest. (See " Selling Short.") This term refers to the quantity of transactions which have been made upon the " short " side. In other words, the volume of " short " sales, or all persons in a given market with such interests.

Short Rate. (As used in fire insurance.) A rate is based on a year's period of time. A " short rate " is the rate charged for periods less than one year, and is a percentage higher than if based on the " pro rata rate " which the time the policy is in force bears to the yearly period.

Short Ribs (Short Rib Middles). The unit of trading is 50,000 pound lots in bulk, or multiples thereof. The commission charged is 25 cents per 1,000 lbs. for purchase or sale, or purchase and sale. The usual " margin " required is one-half cent per pound.

Shorts. Those who have sold what they do not own, expecting to buy later at a lower price. (See " Selling Short.")

Short Side. Those who have thought it more profitable to " sell short " than to buy in anticipation of an advance in prices. (See " Selling Short.")

Short Stock. By reading " Selling Short," the heading of this paragraph should be readily understood.

Siberians. Securities of Siberia, particularly mining, which are handled in London. Siberia is rich in metals.

Sick Market. This is apt to follow one of great speculation, and is a time when brokers are in doubt as to what to do, and a condition of hesitancy prevails, with perhaps a sagging tendency.

Sight. As used in reference to commodities, such as cotton, etc., has the same meaning as "visible supply."

Sight Bill. This is the same as a "demand bill" (to which refer) except in States or countries where "grace" is allowed on a "sight bill," for in such cases a "sight bill" would naturally not be payable until the expiration of the days of grace.

Sight Draft. (First read "Draft.") A draft due and made payable upon presentation.

Sight Exchange. See "Sight Bill."

Signature of a Woman. See "Woman's Signature."

Signing by Mark. See "Mark Signature."

Sign in Blank. See "Assign in Blank."

Silent Partner. One not actively engaged in a business, and who is not generally known to be interested.

Silver. See following subjects relating to silver; also "Bar Silver."

Silver Act. Same as "Sherman Act."

Silver Certificates. The act of Feb. 28, 1878, provided that any holder of standard silver dollars might deposit them in sums not less than $10 with the Treasurer or any assistant treasurer of the United States and receive certificates therefor, in denominations not less than $10, which certificates should be receivable for customs, taxes, and all public dues. They are not "legal tender." The Act of Aug. 4, 1886, provided for the issue of denominations of $1, $2, and $5. These silver certificates have largely taken the place in circulation of the standard silver dollars, which they represent.

The Treasurer of the Philippine Islands is authorized, in his discretion, to receive deposits of standard silver coins of one "peso" (see that subject) in sums of not less than 20 "pesos," and to issue "silver certificates" in exchange therefor in denominations not less than two nor more than ten "pesos." The coin so deposited must be retained in the treasury and held only for the payment of such certificates on demand. These certificates are receivable for customs, taxes, and all public dues in the Philippine Islands, and may be reissued when so received. When held by any banking association in the Islands they may be counted as a part of its "lawful reserve." [1]

Silver Coinage. As at present provided by law in the United States, "standard silver dollars" and subsidiary silver are coined only by the Government for its own account,

[1] An Act to establish a standard of value to provide for a coinage system in the Philippine Islands, approved March 2, 1903.

and from bullion already on hand, and the profits of such coinage belong to the Government.

The report of the Secretary of the Treasury for the fiscal year 1905 stated that the stock of bullion purchased under the Act of July 14, 1890, had become exhausted, and the coinage of silver dollars necessarily discontinued and no subsidiary silver coins were being made except by the re-coinage of the abraded and uncurrent coins of the same denomination as they accumulated in the treasury. Following this, the Government began, on Aug. 1, 1906, to enter the market for the purchase of silver bullion for the subsidiary coinage. The first purchase was at 65.44 cents per ounce. The price of silver metal has fluctuated until, in November, 1919, it had reached $1.37 since declining.

Silver Dollars. See "Standard Silver Dollars."

Silver Product of the United States. The Bureau of the Mint estimates the total production of silver in this country for the year 1919 as 55,285,196 fine ounces, valued at $61,966,412.

Silver Product of the World. Beginning with 1860 the commercial value of silver produced was $39,337,000. There was a gradual increase, for in 1870 the product was $57,173,000; in 1880, $85,640,600; in 1890, $131,937,000. During 1893 the coinage of silver in British India was suspended; there was a panic in the silver market in London; the United States repealed the clause of the Act of July 14, 1890, authorizing the purchase of 4,500,000 fine ounces of silver per month. As a result of all these happenings the annual commercial value of silver produced suddenly fell off.

Production for 1895	$109,545,600
" " 1907	$121,577,100
" " 1908	$108,655,100
" " 1910	$119,727,000
" " 1912	$137,883,800
" " 1914	$ 93,174,691
" " 1916	$115,905,654
" " 1918	$194,327,383
" " 1919	$195,611,333

The total coinage value of silver in standard silver dollars produced in the world from the discovery of America to 1915 inclusive is $15,087,912,069. (See also "Bar Silver.")

Silver Treasury Certificates. The same as "Silver Certificates."

Simple Interest. Interest upon the principal sum only. An example will perhaps make this clear: Green loans Black $1,000 for six months at 5%, the interest amounting to, say, $25. If at the end of that time the interest is not paid, Green cannot collect additional interest on the $25 for such time thereafter as Black fails to make the payment. "Compound interest" would permit of charging interest on the $25; that is, interest upon interest. In savings bank accounts "compound interest" is usually allowed; that is, at the end of stated intervals, say twice a year, the interest accumulated upon the depositor's account is entered to his credit, increasing the principal sum that much, and the total sum goes on drawing interest.

Single Entry Bookkeeping. "Single entry bookkeeping," as its name signifies, is a method by which only one entry is made, as distinguished from "double entry bookkeeping." "Single entry" differs from "double entry" in that by the former method each entry necessitates but a single debit or credit, which will be more readily understood if the reader will turn to the subject "Double Entry Bookkeeping." It will be seen by this that under "single entry," the only accounts are those with parties dealt with, and only transactions which involve the debiting or the crediting to such parties appear in the books. This system requires but one book — a ledger — which was the only book formerly used; but now this has been modified to include day book and cash book.

Single-Name Paper. A note for which a single individual, firm, or corporation is responsible for payment; a note bearing but one signature and without indorsers. Also mentioned as "single names" and "straight paper."

Single Option. Either a "put" or a "call." (See "Put" and second paragraph under "Call.")

Single Standard. (First read "Standard of Value.") A monetary system by which values are measured in one metal only and not by the use of two, as explained under "Bimetallic Standard" and "Bimetallism."

Sinking Fund. Sums set aside at stated intervals to provide for the payment of all or part of the principal of a debt. A method of sinking or extinguishing it; a provision for an obligation not yet matured, and as binding upon the issuer as any other provision of the mortgage.

This money is sometimes used to buy in, or pay off, some of the debt itself, from time to time, under conditions provided; or may be held until the maturity of the debt and then applied to its payment, and, in the meantime, invested in other securities, so that it may increase in amount.

The conditions attached to sinking funds differ, but the best form is that which applies the money directly to the extinguishment of the debt for which it was created, thus avoiding any loss by temporarily investing it otherwise.

In many bond issues a condition is imposed that the sinking fund shall be applied to the principal by the calling by lot of a certain number of bonds annually. This is very objectionable; it frequently works hardship upon the holders, and it often prevents bonds advancing to a premium, owing to the fact that every bond of an issue subject to call by lot must be looked upon as subject to payment at the next call, making it unsafe to base the interest return on but a comparatively short time. A better plan is explained under "Serial Bonds."

Generally speaking, "sinking funds" are desirable in issues against properties which have not demonstrated a tendency to liberal expenditures out of earnings for the maintenance at a high standard of efficiency; and, also, in the case of properties which are exhausting themselves, such as mines, oil wells, and the like. Or, in other words, "sinking funds" are advisable in those issues the security of which is likely to become less before maturity. Industrial concerns dependent upon a business of an unstable character should create "sinking funds" for the retirement of indebtedness. In large corporations, like our well-established railroads, many financiers argue against the establishment of a "sinking fund" altogether.

The question of a sinking fund, even in small corporations, is becoming a debatable one; although, in lack of such a safeguard, some other provision should be made. The commonly accepted one is a "depreciation" fund. (See that subject.)

How the sinking fund provision worked to the disadvantage of a small street railway will make this clear.

The trust deed provided for yearly redemptions of a certain percentage of the issue. This took so much of the surplus earnings that the road was unable to maintain a modern standard. At the end of ten years, although the sinking fund had been met, the road was in a deplorable condition. It would have been better, for the safety of the bonds, if the same amount had been expended in modernizing the equipment. To illustrate: an indebtedness of $100,000 against an appreciating and growing property is better than a gradually reducing amount against a property that is going behind faster in value and earning capacity than is offset by the reduction in the indebtedness. Accidents are more likely to occur, and business to be handicapped. Depreciation must be guarded against, whatever the conditions for reducing the debt. But if a depreciation account is stipulated in the Trust Deed, the clause should be drawn with care so that the money shall not be used merely to replace wear and tear, but for the avowed purpose of keeping the property up to date, or for additions likely to increase the earnings.

Sinking Fund Bonds. It is not often nowadays that bonds are issued with " sinking fund " as the principal title, but generally with some such nomenclature as " First mortgage 4% sinking fund bonds." Formerly, bonds were occasionally issued as simply " sinking fund " bonds, notably, the Union Pacific Sinking Fund issue which matured in 1899. As a matter of fact, any bond may be a " sinking fund " bond, the sinking fund feature being simply one of the provisions provided for in the deed of trust, for a better understanding of which see " Sinking Fund."

Sinking Fund Mortgage. A mortgage securing a bond redeemable by a sinking fund would be so termed. (See " Sinking Fund.")

Sixes. " Bills of exchange " due in six months; " discounted " notes due in six months; and also used in speaking of bonds bearing 6% interest.

Six-Pence. A silver coin of Great Britain, equal in value to about $.121 United States money.

Sixteen to One. By the ratio of " 16 to 1 " it is understood that the mint values of sixteen ounces of silver and one ounce of gold shall be equal; in other words, sixteen ounces of silver and one ounce of gold shall be each coinable into an equal number of standard dollars. As a matter of fact, the United States standard ratio is not exactly 16 to 1, but 15.988 to 1.

Sixties. See next subject.

Sixty Day Bill. A bill of exchange (see " Exchange ") may be drawn payable in sixty days after date, but it is more customary to draw them payable sixty days " after sight; " that is, after presentation. If in the latter form, and drawn on England, roughly speaking, ten days may be reckoned as the time elapsed after drawing before presentation, and, as three days' grace is allowed there on time bills, it would make a total of approximately seventy-three days before actual maturity.

Bills of this kind are called " Sixties."

Sky-Rocketing. Pushing prices of securities up to enormous heights; unnatural levels; creating an unstable condition of affairs; forcing the price of this, that, and the other security up with startling rapidity; booming prices.

Slaughter. To sacrifice securities at unnecessarily low prices.

Slid Off. Declined in price.

Slipped Back. Prices declined.

Sloss-Sheffield. Sloss-Sheffield Steel & Iron Co.

Slow Assets. Property which cannot be readily converted into money; property which is not salable at the time, but which may be during some future period.

Slubbers. Used in London to designate the "ordinary shares" of the Bleachers' Association.

Slug. A fifty-dollar gold piece of the United States Assay Office in San Francisco. It first appeared in April, 1851.

The coins were in general circulation in California about the middle of the last century. They were in two shapes, round and octagonal, and are now to be found only in collections, and are selling, when any are to be had, at $150 to $175 each.

When these were issued they put a stop to the coinage of private mints in that section.[1]

Sluggish. Business very quiet; very few transactions taking place.

Slump. A sudden and big fall in prices.

Sm. Smelter.

Small Bonds. Transactions in United States Government Bonds are usually for $1,000 par value or multiples thereof. Quotations on "small bonds" often differ from those of larger denominations of the same issue, according to supply and demand.

Any bond of a lesser denomination than $1,000 is called a "small bond."

Smash. This term is sometimes used when there is a very sudden fall in prices in the stock market, and everything goes to "smash," as it were, and almost a panicky condition exists.

Snuff. American Snuff Co.

Soft. The market softens when there is a small decline in prices.

Soft Coalers. Railroad companies, the earnings of which are more or less dependent upon the transportation of bituminous coal, including such roads as the Baltimore & Ohio, Chesapeake & Ohio, the Norfolk & Western, the Hocking Valley, etc.

Soft Money. Paper money; a term used to distinguish it from metallic money.

Soft Spot in the Market. When one or more securities show a weakness in price; a tendency to decline, but which condition does not extend to the market in general.

[1] "New Varieties of Gold and Silver Coins, Counterfeit Coins, and Bullion; With Mint Values," by Jacob R. Eckfeldt and William E. DuBois, Assayers of the Mint of the United States.

Sol. The monetary unit of Peru, equal to $.487 United States money.

Solvent. Having financial resources sufficient to pay all debts as they severally become due.

Soo Line. Minneapolis, St. Paul & Sault Ste. Marie Ry. Co.

Sou. A small French coin, equal to about $.0096½ United States money.

Southerns. Railway companies in the Southern States whose securities are listed upon the New York Stock Exchange.

South Sea Bubble. The Earl of Oxford, at the time (1710) Prime Minister of England, proposed a plan by which the holders of the Government debt should be allowed to exchange the same for shares in the South Sea Company, a corporation which was granted certain trading monopolies along the Atlantic coast of South America. This was attempted as a method of consolidating the Government's indebtedness and to effect a saving in interest. It being upon the eve of a great speculative era in England, many exchanges were made, and the price of the shares of the South Sea Company advanced tremendously. The whole plan proved worthless and collapse followed in 1720, to the great loss of all the shareholders.

This era of unreasonable speculation above referred to is partially explained by Bagehot by the statement that there were no banks at that time for the deposit of the funds of the people, and the speculation was the natural outlet for their money.[1]

Sovereign. A gold coin of Great Britain equal in value to the pound sterling, or $4.866½ United States money.

[1] Smollett in his History of England says: "The directors (April 7, 1720) opened their books for a subscription of one million, at the rate of £300 for every £100 capital. Persons of all ranks crowded to the house in such a manner, that the first subscriptions exceeded two millions of original stock. In a few days this stock advanced to £340; and the subscriptions were sold for double the price of the first payment.

"The infatuation prevailed till the 8th day of September, when the stock began to fall. Then did some of the adventurers awake from their delirium. The number of the sellers daily increased. On the 29th day of the month, the stock had sunk to one hundred and fifty. Several eminent goldsmiths and bankers, who had lent great sums upon it, were obliged to stop payment, and abscond. The ebb of this portentous tide was so violent, that it bore down everything in its way; and an infinite number of families were overwhelmed with ruin. Public credit sustained a terrible shock; the nation was thrown into a dangerous ferment; and nothing was heard but the ravings of grief, disappointment, and despair. Some principal members of the ministry were deeply concerned in these fraudulent transactions. When they saw the price of stock sinking daily, they employed all their influence with the bank to support the credit of the South Sea Company."

Special Assessment Bonds. Bonds for which a special district, or section, of a city is taxed to meet interest and principal; the city as a whole not being held for their payment, the idea being that the section improved by the expenditure of the proceeds of the bond sale should be responsible for the payment of the bonds. (Read " Street Improvement Bonds," all of which applies here.) It is better for the novice in investment matters to fight shy of these bonds altogether.

Special Deposit. A " special deposit " differs from a " general deposit " or a deposit of the ordinary nature, by being placed in a banking institution for retention and safe keeping only, but not to be used by the bank as are its general funds, which treatment an ordinary or general deposit would receive.

Special Depository. This will be understood by reading " United States Depository."

Special Indorsement. One which specifies the person or to the order of whom payment shall thereafter be made, and which calls for the indorsement of the party to whom it was made payable before it can be further negotiated; as, for example, suppose a note is made payable to Henry Adams. He makes a " special indorsement " by writing across the back " Pay to James Frazer or order," and then signing his own name below; *i. e.* " Henry Adams." By this form James Frazer is specified as the person to whose order the paper shall afterward be paid, and he must indorse it before it can be further negotiated.

Specialist. Certain floor brokers are sometimes known as " specialists," which means that they have particular interest in one or more securities and devote much of their time to buying and selling the same; their interest in such being well-known to other brokers.

Specialized. See " Crossed Check."

Special Partner. A partner in a firm whose liability is legally limited to the amount of capital contributed by him. In order to become a " special partner " certain legal formalities must usually be complied with or the " special partner " is considered as a general partner. A " special partner " is not supposed to take any active part in the business.

Specials. See " Council Drafts."

Special Settlement (Settling) Day. A London term. When a new issue of securities is being made, dealings in the first instance always take place for the " special settlement," and, until that is granted, no settlement of any transactions in that particular security can occur. When, however, that has been granted, the security takes its place in the ordinary way, and is dealt in for the fortnightly accounts. (See " Fortnightly Settling-Days.")

Specialties. " Boston specialties were traded in largely to-day." Each of the large stock exchanges has various securities which are dealt in more particularly on such exchange than upon any others; the prices of such securities being very largely regulated by the quotations upon that particular exchange, and, to a great extent, transactions in these " specialties " are consummated upon that exchange. If a broker in New York is given an order to sell a stock which is a Boston " specialty," the chances are that he will telegraph the order to Boston, and have the sale made on the latter exchange. " Boston specialties," therefore, are such securities as are more particularly handled in Boston than elsewhere. Many of the copper stocks are " Boston specialties."

" Specialties advanced; " meaning that there was no general advance in prices, but simply a rise in the quotations of certain securities which were attracting special interest at the time.

Specie. There seem to be several different uses for this word. As understood by the United States Mint, it means coin of any denomination and of any metal in contradistinction to notes and bills. In the term " specie payment," the word is held to apply also to gold and silver bullion.

When reference to " specie " is made in relation to the lawful money reserve of a national bank, it includes the following: gold and silver coin, gold and silver certificates, and gold clearing-house certificates.

The dictionary meaning of " specie," as generally accepted, is metallic money.

Specie Payment. By this is usually understood payment in gold or silver, but by reading the subject " Specie " it will be seen that " specie payment " may be considered to mean any metallic money.

Specie Point. Another term for " Gold Point," to which subject refer.

Speculation. Discounting future events. This differs from " investment," because it has as the direct object buying in expectation of a rise in value, or of selling expecting to buy again at a lower price in time to make delivery, having less regard for the income-producing capacity; whereas " investment " considers the interest return and safety of principal as the first object. One who engages in " speculation " is called a " speculator."

One writer distinguishes " speculation " from " gambling " by stating that the former is a venture based upon calculation, and the latter a venture without calculation, which distinction the law recognizes, sustaining the one and condemning the other.

Speculator. See " Speculation."

Spelter. This is the commercial name for the metal zinc, as turned out from the smelters. It is customarily cast in slabs 9 x 18 inches and from $1\frac{1}{4}$ to $1\frac{1}{2}$ inches thick, weighing from 45 to 65 pounds.

The term has a parallel significance to " pig iron."

Split. The execution of an order to sell by selling in two or more lots at different prices.

Split a Commission. Divide it with another.

Split Quotation. In ordinary quotations, the prices vary by $\frac{1}{8}$; as, for instance, $9\frac{1}{8}$, $9\frac{1}{4}$, $9\frac{3}{8}$, etc. A " split quotation " divides the $\frac{1}{8}$ and gives the quotations by 1-16; as, for instance, $9\frac{1}{8}$, 9 3-16, $9\frac{1}{4}$, 9 5-16, etc.

Spondulacs. Money. He who has the necessary " spondulacs " has the needed money. Formerly paper money was meant by this term, but now funds of any kind.

Spot. By " spot cotton " or " spot wheat," or whatever commodity is preceded by this adjective, it is understood that such commodity is ready for immediate delivery as distinguished from " futures." (See " Grain.") A " spot sale " is a sale for cash for immediate delivery.

Spot Cash. Immediate cash; cash at once; cash on the spot.

Spot Grain. Grain for immediate delivery.

Spotted. The market was " spotted; " meaning that prices were advancing at times, and declining at times, or that certain securities were advancing, and others declining, but the majority remaining about stationary in price.

Spotty. The same thing as " spotted."

Spread. (Read " Straddle.") A " spread " differs from a " straddle " only in that the " put " and " call " prices are not alike. A " spread " on Illinois Central might read:

" For value received, the bearer may deliver to me 100 shares of Illinois Central at 124 or call upon me for 100 shares of Illinois Central at 126 at any time within thirty days from date."

Then would follow the time of its expiration and the signature.

Sprinkler Insurance. By this insurance the assured is guaranteed against direct loss or damage caused by leakage of water from the sprinkler system. Damage to the sprinkler equipment itself is not covered. The tank is part of the sprinkler system. If a tank bursts and the falling water crushes in the roof of an insured building, the roof is covered by the insurance, but the tank is not. Where heads, fittings, valves, or pipes belonging to the sprinkler system break and cause water damage, the water damage is covered, but the apparatus and any labour necessary to replace same are not.

Spurt. A sudden and considerable rise in prices; not a jump of several " points " at a time, but by more even degrees. A spurt of water does not suddenly appear at the end of the nozzle and the next instant a hundred feet away, but has to cover all the intervening space to get there.

Squeegee Agreement. An agreement to take back a security within a stated time at a price representing a definitely limited loss to the one who made the purchase. A transaction of this kind is opposed to the stock exchange rules.

Squeeze. In general, a squeezing out process; by which many are compelled to part with something, as securities or money, in order to protect their interests.

When those who have been selling short (see " Selling Short ") are forced to buy at losing prices in order to fulfil their contracts.

" Money Squeeze; " interest rates high; difficult to borrow.

Squeeze of Shorts. To understand this subject, first read " Selling Short " and then " Borrowing Stock." When there is a large amount of stock being borrowed by numerous people, of course the borrowers are known to the lenders; some rough idea as to the amount loaned is understood. We are supposing all the time that one stock only is under consideration. When there is a great deal of one kind of stock being borrowed, the natural inference is that there is a bear element at work to depress the price of that stock. There may be others who do not wish to see that particular security decline in price, and who may, therefore, form a combination by which they prevail upon the lenders of it to demand its return. As a result, the borrowers, being notified to return the stock, immediately seek for it again elsewhere. Owing to the combination working against them, they find a scarcity of supply, and are obliged to actually purchase the stock in order to make delivery. This sort of a move causes the simultaneous buying on the part of those who are " short," with the result that prices are suddenly advanced.

STA. The " ticker " abbreviation for " stamped."

Stagnation. Practically no business being transacted; business extremely quiet.

Stale Check. One which has not been presented for payment for a considerable or unnecessarily long time, after the date upon which it was drawn. A bank may decline to pay such a check, on the supposition that it may have been lost, and a new one issued in its place, or the liability discharged in some other way.

Stamped Security. Any stock, bond, or other security, which, since its original time of issue, has been stamped showing some new condition or privilege by which it is bound, or to which it is entitled.

Stamp Savings Banks. A corporation formed to aid the working classes and school children to save sums of money too small to be deposited in a savings bank. Special stamps are sold by the central office to branch offices who in turn sell them to depositors. When a sufficient quantity has been saved the money may be withdrawn and deposited in a savings bank if desired.

No interest is paid the holders of the stamps; any interest that may accrue from investments of the principal representing the stamps being used by the society to help pay expenses.

Out of this system grew the Legal Trading Stamp.

In England and other European countries Government stamps are used and are honoured at special banks for deposit.

Standard. The legal weight and fineness for coins; "standard weight," "standard fineness." (See "Standard of Weight and Fineness.") One of the best explanations of this term as used in a system of coinage is set forth in various parts of Chevalier's work "On the Probable Fall in the Value of Gold," in this language:

"When it is said that such a metal is the standard, it means that the monetary unit is a certain weight, settled once for all, of this metal. . . .

"In a word, standard and monetary unit are terms allied in the closest manner to each other, and they are synonymous the one with the other, as far as the materials of which a thing is made can be confounded with the thing itself. . . .

"The most rigorously exact meaning, perhaps, of the word standard would be to say that it is the monetary unit, the latter itself being defined by the three following conditions: the metal of which it is composed, its weight, and its fineness."

Standard Bullion. This is composed of 900 parts of pure gold or silver and 100 parts of copper alloy. An ounce of pure gold would have a coinage value of \$20.671834+, whereas the coinage value of a standard ounce of gold is \$18.60465. The coinage value in standard dollars of an ounce of pure silver is \$1.2929 + and of an ounce of standard silver \$1.1636.

Standard Copper. The quotations made upon the London Metal Exchange for copper are published twice daily. Under the rules of the Metal Exchange, copper of three qualities may be delivered in fulfilment of sales, as follows: —

Copper assaying 99.80% at a premium of £1 per ton above the sale price.

Copper-Tough, Best Select, and Cast Copper assaying 99.30% and over at a premium of 10 shillings per ton above the sale price.

Copper assaying from 99 to 99.30% at the sale price.

Copper from 96 to 99% at a discount of £1–10 from the sale price.

The prices so made are net and not subject to the discount of $2\frac{1}{2}$% which formerly attached to sales of G.M.B. (Good Merchantable Brand) copper, which brand is no longer recognized in the London Metal Exchange. The brand "standard" is used in place of it, and describes coppers of all the grades above defined.

The New York Metal Exchange, on which for a number of years there has been no real sales of copper, in 1909 adopted the rule that sales of contracts to deliver "standard" copper, corresponding to the grades above defined, might be made on that Exchange, the price to be in United States currency, and the discounts to correspond to those above defined as prevailing on the London Metal Exchange.

The financial columns of American newspapers often refer to the "official" price of copper, but there is really no such price for copper as a whole in the markets of America, because the N. Y. Metal Exchange prices are for "Standard Copper" only; there being no fixed relation between that and "electrolytic copper." There have been times when the market for "standard," both in London and New York, was one cent per pound below the "electrolytic" market; and also times when the two were in close approximation.

As a matter of fact, transactions on the New York Metal Exchange, and deliveries under the rule mentioned above, are uncommon; although some business was done during the latter half of 1912. So far as transactions occur, the prices quoted on that exchange are "official" for "standard copper."

Standard Gauge. The width between the two rails of a railroad track is standardized at 4 feet $8\frac{1}{2}$ inches, although there are many exceptions. Everything less than 4 feet $8\frac{1}{2}$ inches is termed "narrow gauge" and where the distance is greater, "broad gauge."

Standard of Value.[1] By an Act of Congress April 2, 1792, passed upon the recommendation of Alexander Hamilton, there was established a "standard of value" between gold

[1] Jevons defines this as some uniform unchangeable substance chosen, in terms of which all ratios of exchange may be expressed and calculated, without any regard whatever to the feelings or mental phenomena which

and silver at the ratio of 15 to 1; *i. e.* the value of 15 ounces of fine silver was declared to be equal in value to an ounce of fine gold. It very soon became apparent that this ratio was not proper, as it undervalued gold; therefore, in 1834, the ratio was changed to 16.002 to 1, and in 1837 it was changed to 15.988 to 1, which is the present ratio; usually referred to as 16 to 1. From 1792 to 1834 values in this country were measured by silver, but since the latter date gold has been the only standard of value in actual practice. Troy weights are used to determine weights of both gold and silver. All the principal nations have the gold standard. Over three fourths of international commerce is fixed upon this standard, even though many countries have not adopted it.[1]

Standard of Weight and Fineness. The proportion by weight of pure metal in coins to the alloy is the "fineness." In the United States it is 900 parts by weight to 100 parts of alloy in both gold and silver. The weight of a gold dollar is 25.8 grains and a silver dollar 412.5 grains. The "present standard of weight and fineness" in this country, therefore, provides for gold and silver dollars as above.

Our unit of weight was obtained from England, is of bronze, and weighs 5,760 grains, or one pound troy. It is in safe keeping at the Philadelphia Mint. Each year an assay commission appointed by the President compares the working copies of the weight with the original.

The weight and fineness of the United Kingdom of Great Britain and Ireland (Act fifty-six George the Third, chapter sixty-eight) provides that there should be nine hundred and thirty-four sovereigns and one ten shilling piece contained in twenty pounds weight troy of standard gold, of the fineness at the trial of the same of twenty-two carats fine gold and two carats of alloy in the pound weight troy; and, further, as regards silver coins, that there should be sixty-six shillings in every pound troy of standard silver of the fineness of eleven ounces two pennyweights of fine silver and eighteen pennyweights of alloy in every pound weight troy.[2]

the commodities produce in men. And "that the standard unit of value is some entirely arbitrary weight of the standard metal, the exact amount of which, being a matter of indifference on general ground, should be fixed as seems most convenient in reference to the habits of the nations or other accidental circumstances."

[1] The Act of Congress, March 14, 1900, commonly known as the "Financial Bill," declares "that the dollar consisting of twenty-five and eight-tenths grains of gold nine-tenths fine, as established by section thirty-five hundred and eleven of the Revised Statutes of the United States, shall be the standard unit of value, and all forms of money issued or coined by the United States shall be maintained at a parity of value with this standard, and it shall be the duty of the Secretary of the Treasury to maintain such a parity."

[2] The Coinage Act, 1870.

Standard Silver Dollars. In the United States these "are legal tender at their nominal or face value in payment of all debts, public and private, without regard to the amount, except where otherwise expressly stipulated in the contract." Issued by the Treasurer and assistant treasurers of the United States in redemption of silver certificates and Treasury notes of 1890; sent, express paid, by the Government, in sums of $500 or any multiple thereof, for silver certificates or treasury notes of 1890 deposited with the Treasurer or any assistant treasurer.[1]

A dollar such as the above contains $412\frac{1}{2}$ grains of standard silver, .900 fine, which is equivalent to $371\frac{1}{4}$ fine grains of silver, balance being copper alloy to the amount of $41\frac{1}{4}$ grains.

Standard Stocks (or Standard Investments). Well known securities, of established reputation, in which confidence is felt as to the future payment of interest or dividends, and of the principal, if redeemable; stocks which are sought as conservative investments.

State Banks. Formerly " State banks " issued bank notes, but in 1865 Congress passed a law taxing these notes 10%, which speedily resulted in their retirement. Since that time, in other respects, they have performed about the same functions as national banks. As a class they have very largely disappeared in the East, but are more frequent in other sections of the country. Fiske writing in 1903 said that these institutions outnumbered the national banks in the country. State banks are under the regulation of the State in which they are located.

State Bonds. An obligation in the form of a bond issued by a State, the payment of which must be accomplished through the collection of taxes assessed upon the taxable property embraced within its corporate limits.

Some State issues have valuable assets in the shape of income-producing property, which contribute towards the payment of the principal and interest of its obligations; such, for instance, are the large income-producing State-owned wharves and docks in San Francisco.

Again, an indebtedness of this nature may be incurred for some improvement more or less local in its nature, the particular section benefited being primarily responsible for the

[1] The difficulty experienced in keeping silver dollars in circulation is shown by the following excerpt from the Report of the Secretary of the Treasury for 1905: " The silver dollars in circulation June 30, 1898, were $58,482,966. The amount of this coin distributed at Government expense for transportation, from July 1, 1898, to June 30, 1905, was $275,536,512, but the amount in circulation on the latter date was only $73,584,336."

liquidation of the debt, for which, nevertheless, the State has obligated itself for payment. An example being bonds issued by the Commonwealth of Massachusetts for the benefit of the Metropolitan Water District.

The interest return from most of our State securities is not large, and, consequently, their purchase is more or less limited to institutions such as insurance companies and savings banks, or to trustees of estates, or to those seeking a particularly conservative form of investment, and who can afford the low rate of interest.

The past record of "State bonds" has not been a very happy one. Many of the issues have entailed great losses upon the holders. These debts, however, were incurred under different conditions than at present existing, and there is not to-day any reason to believe that any of our State issues of recent date are anything but safe holdings.

The fact that States cannot be sued by an individual is a point which has always deterred some investors from placing money in securities of that kind.

State Street. Financial Boston; meaning not only that section where matters of finance are transacted (not literally State Street itself), but also the men engaged in the management of such matters.

Steady. The stock market is, or prices are, said to be steady, when there are few and small variations in prices; an even tone existing.

Steamship Company Bonds. The average investor has not had the opportunity to familiarize himself with this class of investments, owing to the somewhat infrequency of these issues appearing upon the market. One very notable example is that of the International Mercantile Marine Co.

To safeguard an issue of bonds on vessel property, it is better that the ships should be comparatively new; otherwise a careful appraisement of their value should be obtained, and, in any event, if the mortgage is to cover the vessels only, without other property or guaranty, the bonded debt should not much exceed 50% of the valuation. Owing to the rapid depreciation of steamships, the mortgage should provide for some method of reducing the debt — either by a well-protected sinking fund or direct redemption of the bonds — at a rate of, say, one tenth of the total issue annually, beginning one or two years from its date. The trustee of the mortgage should be required to cause the property at all times during the life of the bonds to be properly insured in good companies, against all risks on vessel property ordinarily covered by such insurance, to the full insurable value of the ships; such insurance to be made with loss payable to the trustee, and the policies deposited with it. It should further provide that any money received by the trustee on account of destruction of the property mortgaged should either be used to replace the property destroyed, in proportion to the insured value of the same — the steamship company paying the difference — or if not so used or arranged to be used, at the end of a given time — say six months — to be divided in some equitable way among the bondholders; perhaps added to the sinking fund, if any.

It is a point in favour of "steamship company bonds" that the steamship line is not usually confined to any given territory or section. If a certain line of sailing or business proves unprofitable, the boats may be changed to another line of ports, or another class of business, or nearly always be sold at a fair valuation. You cannot economically remove railway, manufacturing, or other similar properties from one section of the country to another, if they prove unprofitable where located, whereas, of course, the sailing of a line of boats may usually be changed at will.

"The liability of the owner of a vessel for loss or damage to another vessel or to the cargo of either vessel, happening through errors in navigation or management, or from perils of the sea, but without his knowledge or privity, is limited to the value of his vessel, and the freight then earned, in the condition in which it is after the happening of the loss or accident.

"The owner is also not liable for loss or damage by fire to the cargo carried in his own vessel unless caused by his own neglect.

"If an owner exercises due diligence to make his vessel seaworthy and to see that she is properly manned and equipped, neither he nor his vessel is liable for loss or damage to the cargo carried, from errors of navigation or management, or from dangers of the sea.

"The owner may relieve himself of all liability by transferring all his interest in the vessel and the freight then pending to a trustee for all claimants.

"It follows that the owner is not personally liable if his vessel becomes a total wreck.

"Insurance on the vessel, recovered by the owner, is no part of the owner's interest in the vessel, and is not liable to be taken to pay for the loss or damage.

"The owner of a vessel is of course personally liable, without limitation, if the loss is attributal to his own fault or negligence.

"In case of a corporation, the 'knowledge and privity' which would make it liable must be the knowledge and privity of its officers or managers, and not of the masters of its vessels."

Steel. United States Steel Corporation.

Sterling (or Sterling Exchange). "Exchange" (to which refer) on Great Britain.

"Sterling at Paris 25.21." This means that twenty-five francs and twenty-one centimes, French money, was the equivalent in value, at the time of quotation, in English money, to the "pound sterling," and that a purchaser in Paris of a "bill of exchange" on London would pay for it at the rate of twenty-five francs and twenty-one centimes for each "pound sterling." Similar quotations in other financial centres, as "Berlin, 20.49½" would mean the value in German money of the English "pound sterling" for exchange purposes.

"Sterling" is very generally used in reference to English money, as, for instance, 3½ million sterling, meaning 3,500,000 "pounds sterling." The English say "pounds" or "sterling" when referring to their money, whereas we say "dollars" in speaking of our own.

It is the common term for the money of Great Britain in whatever form, including its own standard bars of silver or gold.

Sterling Bill. "Exchange" payable in English money, (See last subject.)

Sterling Bond. See next subject.

Sterling Loan. Bonds, or other forms of indebtedness, payable in English money; *i. e.* pounds sterling. Also loans made on "sterling (which see) bills" of exchange.

Bills payable, say, at sixty days' sight, are drawn by the American banker on London. These are negotiated either by the banker or the borrower, the latter, in any event, getting the proceeds. Suppose, at the time when the bill is drawn, the net rate of exchange is $4.85 for the "pound," then a "sterling loan" for £10,000 would cost $48,500. Deduct from this the banker's commission of perhaps one half of one per cent. — $242.50, leaving net amount paid to the borrower $48,257.50. At the end of sixty days the loan will have to be paid on the basis of the rate of demand "sterling exchange" then ruling, which, in this suppositional case, we will figure at $4.885, making the amount due $48,850, and subtracting from this the original amount of $48,257.50 we have left $592.50, which is the interest paid for the use of the money for sixty days, or at about the rate of 4¼% yearly.

"Sterling loans" differ from "foreign loans" in that the former are almost exclusively drawn upon London.

Stiffened. Advanced; prices " stiffen " when they rise.

Stock. The property of any corporation is divided into various parts or shares called " stock." (See also " Shares.")

There is a peculiar feature attached to what is referred to as a " stock " in Great Britain; namely, that it can be dealt in and transferred in multiples of one pound, and sometimes even less, and, in this way, it differs from what they term " shares," as they are dealt in according to their specific denominations. It may be taken as a general rule that most British railway issues are in the form of " stocks," not " shares."

The English have a way of referring to their municipal bond issues as " corporation stock," using " stock " as the equivalent of our " bond " at such times. What we call a " corporation " they call a " company."

Stock Bills. Bills of exchange (see " Exchange ") drawn against a shipment of investment securities; stocks.

Stock Certificate. The ownership of " stock " (read last paragraph) is represented by a printed, lithographed, or engraved[1] form, properly filled in, sealed and signed by the proper officers, giving the owner's name and number of shares of the stock it represents. This is a " stock certificate " and is the rightful possessor's evidence of ownership in the property of the corporation. (Read " Transfer of Stock.")

Stock Company. A corporation, the ownership of which is represented by shares of stock. (See " Corporation.")

Stock Dividend. Issuing new stock pro rata to those already holding stock of the same company; the new stock to be the equivalent of profits earned by the corporation which are to be retained as additional capital rather than to be paid to stockholders as a cash dividend. For example: a company of $500,000 capital stock has gradually accumulated $100,000 in profits — very likely having paid reasonable dividends in the meantime — and finding its business of sufficient magnitude to warrant the retaining of the $100,000 for use in carrying on its affairs, and, at the same time, wishing to satisfy the stockholders, who, perhaps, had been asking for its division, decides to issue $100,000 in new stock, making a total capital of $600,000. Of course the $100,000 " profits " on the books of the company disappear under that heading, but " capital " account is increased that much. By this method, the $100,000 capital stock becomes *fully paid,* for had the amount been paid out to the stockholders as a dividend, and they, in turn,

[1] A security to be dealt in on the principal stock exchanges of the world must be engraved, consequently blank stock certificates are, generally, engraved.

paid it back in to the company for new stock, the same result would have been accomplished.

Supposing the par value of each original share to be $100, then, as $100,000 is one fifth of $500,000, each holder of five shares of original stock would receive, without cost, one share of new stock, and a "stock dividend" would have been declared. One of the most notable examples of the declaration of "stock dividends" has been that of the Pullman Co.

The recipient of a stock dividend must not consider himself richer than before, although the market quotations of the stock may appear to make him so. His ownership in the corporation is no greater, as his proportionate interest in the entire capital is the same as previous to the declaration of the stock dividend.

The U. S. Supreme Court in 1919 decided that stock dividends are not to be regarded as income and hence not subject to Federal Income Taxes. In Massachusetts, stock dividends as a result of a decision of the State Supreme Court in 1917 are regarded as income, but are by statute made tax exempt. It is difficult to follow the reasoning of Judge Rugg's decision as the stockholder's proportionate ownership has not increased. This is particularly obvious in the case of dividends in stock without par value when the surplus is not capitalized but remains the same.

Stock Exchange. The Century Dictionary defines a "stock exchange" as "An association of brokers and dealers or jobbers in stocks, bonds, and other securities, created under State or municipal authority, or by corporations concerned in the business connected with the carrying on of railways, mines, manufactures, banks, or other commercial or industrial pursuits."

The "stock exchange," as generally understood, need not necessarily transact its business in a building; its business may be carried on in the open air like the New York Curb Exchange on Broad Street, New York City.

The first definite organization in America which may be recognized as an exchange of this kind was brought about by a board of stock brokers in Philadelphia, who met, organized, and adopted a constitution early in the eighteenth century. Medbury states that on May 17, 1792, some twenty New York dealers in public stock met together and signed a paper of the nature of a protective league. The New York Stock Exchange was organized in 1817. Thus the idea of a "stock exchange" is an old one. Stock brokers, so-called, have existed for many years. Nelson has said that as early as 1285 the term "broker" is referred to in an act of English Parliament.

It is said that a "stock exchange" offers the most highly organized and delicately adjusted market in the world.[1] (See "Stock Exchange Seat.")

[1] The New York Supreme Court has handed down a decision as follows:

Stock Exchange Clearing-House. This system for simplifying the deliveries of securities sold between members of a stock exchange resulted from the large over-certification of checks which the former system of actual deliveries to each different broker required.[1]

The New York Stock Exchange adopted this system in 1892. There had been, however, a stock clearing system in successful operation in several European cities for some years. Philadelphia and Boston had already adopted it before the idea went into effect in New York.

The European system is based on the "fortnightly settlement" plan, whereas the New York system is based on daily deliveries.

To follow an actual transaction through the clearing-house would consume more space than can be here allotted. In effect, however, following the day's business, each stock exchange member prepares a "clearance sheet" on which is recorded his sales and purchases of certain securities; *i. e.* the active ones. The following day, this sheet must be in at the Clearing-House by 10 A.M. and a penalty is attached for every minute's delay or for errors. It is the duty of the clearing-house to reconcile all deliveries between different parties and to adjust the cash differences by either paying or receiving the balances due, so that as little money may be required in the settlement as possible. The loans made to even up the balances, at this time, go into the Clearing-House the same morning at 10 : 30 on what is called "Sheet No. 2."

One very important function of this clearing-house system is to facilitate the borrowing of money on the stock exchange. To understand this thoroughly, a reading of the subject "Borrowing Stock" is advisable. By way of illustration, Poole & Co. buy 500 shares of Labrador & Florida at 100. In the ordinary course of business they would be obliged to pay the next day, say, $50,000, to take up this stock, and then make a loan with their bank, furnishing 20% margin, necessitating a cash outlay on their part of about $10,000. Instead of making this loan, however, they, in turn, loan these 500 shares of stock to Baldwin & Co. at an agreed rate of interest, and the next day the clearing-house just offsets. In other

Justice O'Gorman said, "Stock exchanges have the power to enact such rules and regulations concerning the government of their affairs as may be deemed necessary for the carrying on of their business, but such rules and regulations must not be contrary to the law of the land."

[1] "The first official stock exchange clearing-house was founded at Frankfort in May, 1867." — "*The Principles of Money and Banking*," *Charles A. Conant.*

words, no money changes hands in this transaction, and Poole & Co. are saved the necessity of first paying for the 500 shares of stock previous to loaning to Baldwin & Co.

In the words of the committee which reported upon the advisability of establishing a clearing-house in the New York Exchange:

"The party who is 'even' in a stock has then nothing to receive or deliver, and all the contracts are closed. The committee in charge of the clearing ascertain who has a balance of a stock to deliver, and also who has a balance to receive, and then order the former to deliver direct to the latter, thereby relieving from deliveries all intermediate parties who are 'even' in the stock."

There is a "delivery price" fixed each day for each stock, and in assigning the receipts or deliveries the clearing-house bases its reckoning upon the delivery price, usually being the even price which most closely approximates the last sale of the day for the stock in question.

A charge of 2½c. is made for clearing each 100 shares of stock of $100 par value.

Only 100 share lots, or multiples of the same, are cleared; and bonds only on special occasions.

As the foregoing gives but the merest idea of the workings of this very valuable time-saving institution, the writer suggests, for the benefit of those who wish more detail and complete information upon the subject, a reference to the "Work of Wall Street," by S. S. Pratt, who very ably devotes a chapter to the subject.

Stock Exchange Collateral. (Read. "Collateral.") Collateral security which is dealt in upon the particular stock exchange to which reference is had, as, for instance, any New York Stock Exchange collateral would mean securities dealt in upon the stock exchange of that city.

Stock Exchange Seat. In order to possess the right to buy or sell securities upon a stock exchange, one must be a duly elected member of the same, pay his initiation fee, and share in the assets and liabilities of the exchange. His interest, instead of being called a share of stock, is called a "seat." A "seat" may be, as in the case of the New York Stock Exchange, very valuable,[1] but varying in price, in accordance with the activity of the exchange; that is, the amount of

[1] Up to Jan. 1, 1921, the record price on the New York Exchange was $115,000, but in 1871 the quotation was as low as $2,750, and in 1896 down to $13,000. Up to the present time — January 1, 1921 — the price on the Boston Exchange is $38,500. The initiation fee upon the former is $2,000 the latter $500. Unless for some reason an exchange increases its number, of members, a "seat" must be purchased from some member who is willing to sell, or from an insolvent, or the estate of a deceased member.

business being transacted; which naturally affects the demand. The owner of a " stock exchange seat " may transfer or sell to another person by permission of the proper authorities of the exchange. The owner of the " seat " has no right, in any way, to charge commissions for the sale or purchase of securities, otherwise than in accordance with the established rules of the exchange; rates are less between members than for others; for instance, John Smith owns a "seat," but does not wish to actually go upon the " floor," as it is called, of the exchange, to personally buy or sell securities; he may employ some other member to act for him to whom he pays a reduced commission amounting to $2.00[1] for 100 shares. From this arises the term " two dollar man."

Stockholder. The owner of one or more shares of stock in an incorporated company. In the eyes of the law, the legal stockholder is the one whose name appears upon the records of a corporation as the owner of one or more shares of its capital stock, regardless of whether, or no, such a person may have parted with his stock by signing the same in blank, without taking the necessary precaution of having his original certificate of stock cancelled, and a new one issued in its place to the purchasing party.

Stock Interest Certificates. See " Stock Trust Certificates," for all practical purposes the same.

Stock-Jobber. A speculator; one who cares not for the disasters he may cause others, so long as he forces the prices of securities up or down for his own gain; one who issues securities upon a corporation far in excess of the actual value of the property of the corporation; watered stock, so-called. London has a different meaning for this term, as given under " Jobber."

Stock-Jobbing. The use of this term in London will be understood by reading the subject " Jobber." With us " stock-jobbing " has reference to the use of unsavoury methods for varying the prices of stocks.

Stock Kiting. See " Kiting."

Stock Savings Banks. Explained under " Mutual Savings Banks."

Stock Transfer. See " Transfer of Stock."

Stock Transfer Tax. See " Taxes on Stock Transfers."

Stock Trust Certificates. In August, 1902, the St. Louis and San Francisco R. R. Co. secured control of the stock of the Chicago and Eastern Illinois R. R. Co., by exchanging, on the basis of equal par value, certificates calling for fixed dividends, with other conditions. These certificates bore the name of the

[1] This has been increased to $2.50.

St. Louis and San Francisco Co., but as they represented its ownership in another company whose shares were held in trust, as it were, they were called "stock trust certificates." Certificates of this nature, sometimes known simply as "trust certificates," are occasionally issued representing the stock certificates of numerous stockholders in a corporation who wish to "pool" their ownings for the purpose of control. A trustee is appointed to hold the stock and generally to exercise certain rights vested in him by what is known as the "trust agreement."

Stock Watering. See "Watered Stock."

Stock Yards. Chicago Junction Railways & Union Stock Yards Co.

Stop Loss Orders. Sometimes called "stop orders." A method of limiting one's losses, particularly in dealing in stock exchange securities; for example, suppose A owns 100 shares of a certain stock costing $90 per share. He anticipates and hopes that it will advance in price, at the same time, the market conditions are such that it is possible a sudden decline may take place. Being willing to hold the stock, in case of a small drop, with the expectation that it may shortly recover, but not wishing to hold the stock for a great decline, say to below 80, a "stop loss order" is given by A to his broker. This means that if the stock declines to a point where its sale takes place at 80, or even if the last sale is above this figure, and a broker offers some of the same stock for sale at 80, the "stop loss order" goes into effect, and the broker holding the same must not wait for a bid, but offer the customer's stock at, say, 79⅞, and so on down until a purchaser is obtained. In other words, when the "stop loss order" goes into effect it means that a sale will be made at the best price obtainable at the time. In practice, of course, brokers use their judgment as to "offering it down," but a sale must be effected at some price. "Stop loss orders" in inactive stocks are dangerous. The cautious speculator uses such a safeguard only in regard to securities that are frequently traded in, and almost continually quoted.

The expression is often used that many "stop loss orders were uncovered," meaning that the decline in prices was such that the point set by many holders of stocks as their "stop loss orders" had been reached, and, consequently, such selling orders were filled by the brokers.

In case of stocks being sold short (see "Selling Short") a "stop loss order" may be placed as a preventative against too great loss in case of a sudden advance in price beyond a point at which the party desired the stock bought in for his protection.

Stop Order. See " Stop Loss Orders."

Stop Payment. When a check is lost it is simply necessary to notify the bank against which it is drawn; giving a description of the check, generally the number it bears; the amount for which it was drawn; the date, and to whom payable; stating that the check has been lost and requesting that no payment be made should the same be presented.

Suppose that John Smith finds a check, which is payable to " bearer," " cash," or " currency; " that is, good in the hands of John Smith, or any one else, without indorsement. The person who lost this check has already notified the bank to " stop payment." John Smith takes it to some person whom he knows and gets the cash; that is, receives the money upon it. This person accepts it on the supposition that it came honestly into the hands of John Smith, and then presents it to the bank against which it was drawn for payment and finds that payment has been stopped. He cannot collect the money, even although the check has come into his hands honestly, for the law expects each person who accepts a check to satisfy himself as to whether or not it properly belongs to the person presenting the same.

All that is said above in regard to checks applies with equal force to notes and all papers of similar nature.

Straddle. First understand the two subjects, " Call " — second paragraph — and " Put." A " straddle " gives the owner the right to either " put " or " call " a specified amount of a certain security at a fixed price. A " straddle " on Illinois Central at 125 would carry the right to " put " or " call " it at 125 during the option (or if in London, on the last day of the option).

Straddle the Market. An understanding of " Selling Short " is first necessary. One has " straddled the market " when he is " short " of one stock and " long " of another.

Straight City Bond. The bondman's term for an issue for which the faith and credit of an entire city is pledged, as distinguished from " special assessment bonds," to which subject the reader is referred.

Straight Paper. Same as " single-name paper."

Straw Board. American Straw Board Co.

Straw Name. A general example will best illustrate this term: The laws of many States stipulate that savings banks shall not loan money to an individual, firm, or corporation, without collateral or mortgage security, unless the borrower shall furnish the indorsement of a certain number of persons upon the note, the intent of such laws being, that in case the original maker of the note is not for any reason able to meet its payment, the bank may demand payment of the indorsers. Of course, the spirit of such laws contemplates each indorser having sufficient financial means to make such payment; in other words, that, for the amount of the debt, he is just as good as the maker. The spirit is continually being broken by banks being willing to accept as indorsers the signatures of persons absolutely incapable of paying the obligation. Cases are not at all infrequent of notes for large amounts bearing the indorsements of clerks or office boys, with no means whatsoever. The letter of the law is complied with, but such indorsers are known as " straw names," having no value or stability.

Street. " The Street said so and so, " " The Street was uneasy," and such like expressions arise from the use of the term " Wall Street " or " State Street," which designate the financial centres respectively of New York and Boston. Throughout the country at large " Street " means the financial centre or pulse of New York.

Street Broker. A broker between offices: one who buys from one banker and sells to another. These men have their uses and are frequently called upon by bankers to hunt up some security not dealt in actively upon the stock exchange. The bankers can better afford to pay the small commission asked than to devote the time to that end themselves. Again, a banker may wish to get control of certain bonds and prefer to deal through a " street broker " rather than disclose his own identity.

Street Call Loans. Loans made to or between brokers; loans carrying stock exchange and similar securities as collateral; loans made in the " Street," meaning Wall Street, State Street, etc., and representing in a broader sense the financial centres of New York, Boston, etc.

Street Certificate. The stock-broker's name for a certificate of stock, or other similar paper, which has been transferred in blank. (See " Transfer in Blank.") A certificate of this kind may be passed from hand to hand without further " indorsement " or transfer upon the books of the company. It must have the requisites set forth under " Good Delivery."

Street Improvement Bonds. As a rule bonds of this class are secured by a special tax levy upon the property abutting upon the street or in the special district improved; the entire city not being responsible for their payment. The tendency of the Eastern States is to disallow such bonds as proper investments for savings banks, and it is good judgment for the investor to be guided likewise. In some States, the city is responsible for the payment in case of failure on the part of the improved section to meet the obligation, and, in that event, the bonds are said to be the " direct obligation " of the municipality. Under such conditions the objections above raised disappear.

Street Railway Securities. See " Electric Railway Securities."

Stricken from (the) List. (First read " Listed.") Any security which has previously been " listed " on a stock exchange, but which, for any reason, the authorities of the exchange decide shall be no longer dealt in thereon, is said to be " stricken from the list."

Strike a Balance. To " strike a balance " is to balance an account, thus determining to which party money is due, if any, and the amount.

Stringent Money Market. Those having money to loan demand high interest rates; loans may be difficult to obtain at any price; possibly money can be borrowed only by those of the highest credit, or upon the most conservative class of collateral security. " Stringency in the money market " generally acts as a deterrent to business; making it hard for the business world to obtain loans with which to conduct business, and the effect is apparent at once. " Stringency," though, may be more a stock exchange factor than general, and may only temporarily restrict speculation, and not extend to commerce at all. The New York financial institutions often artificially raise money rates, when speculation is too rampant, just to call a halt and thus prevent eventual disaster.

String of Cash. See " Cash."

Strong. The stock market is, or prices are, said to be " strong " when rapidly advancing; prices rising.

Struck Twelve. A slang expression, meaning that the limit has been reached in an advancing market, or a prosperous condition of affairs. We may say that it " struck twelve today in Labrador Common," meaning that the general feeling prevailed that there were likely to be no higher quotations recorded on that stock than to-day's.

Stub. The " stub " of a check-book is explained under " Check-Book."

Other books with detachable leaves, such as books of stock certificates and the like, are arranged in a similar manner to check-books, and have " stubs " in printed form. In general, " stub " refers to that part which is retained in a book from which leaves are detached.

Another meaning for this word is illustrated in the case of the Northern Securities Corporation. After the stocks which this company held were distributed as explained under the subject "Holding Company," there was still left about 1% of the old company, and, as a consequence, to every holder of 100 shares of Northern Securities stock was delivered one share of this "stub stock," as it was called, the "stub stock" evidencing ownership in the remaining assets.

Sub-Company. See "Subsidiary Company."

Subject. See "Subject to Sale."

Subject to Call. See "Called Bonds."

Subject to Check. Any deposit in a banking institution which the depositor has the right to withdraw without notice to the bank, by the use of a written order called a "check," being made payable to himself, or to whomsoever else he may choose to designate on its face, is an account "subject to check." (See "Check.")

Subject to Prior Sale. Same as "Subject to Sale."

Subject to Redemption. See "Called Bonds."

Subject to Sale. In order to protect himself, the banker usually offers securities "subject to sale." For example: Morgan & Co. offer Maria Jones $10,000 worth of Baltimore & Ohio R. R. Co. bonds. In the meantime, before they hear from Maria Jones, they may have an order from another party, and, therefore, make the sale. The next day they receive a letter from Maria Jones ordering the bonds; they notify her that they have already been sold. If they had not made the offering to her upon the condition of "subject to sale" or "in case of previous sale," they might be obliged to deliver the bonds to Maria Jones; but, with the conditions of previous sale inserted, she has no valid claim against them. It will be seen that this method is necessary, because securities offered by bankers are liable to be sold at any moment, and, of course, they cannot lose opportunities to sell as they come along.

In telegraphing, cabling, etc., the word "subject" is often used, and has the same meaning as "subject to sale," or may mean, in the case of a bid, that the bid is made conditional upon the bidder not being able to buy elsewhere in the meantime.

Subscriber. One who signs a "subscription blank;" (see "Subscription Blank") or one who signs an agreement to purchase a security.

Subscription Blank. A printed form, which often accompanies a prospectus or circular, whereby the intending investor may execute an agreement to purchase the security or securities named, but which blank provides for certain conditions regarding payment and delivery, with which the signer must comply.

Subsidiary Company. A company belonging to, or under the management of, another corporation. The various operating companies whose stock is owned and controlled by the parent Holding Company, in such a manner that the corporate organization of such companies is still maintained, are known as its "subsidiary companies" or, to be more brief, "sub-companies."

Subsidiary Silver. In the United States "is legal tender for amounts not exceeding $10 in any one payment." At the present time, the subsidiary coins are half dollars, quarter dollars, and dimes.

Subsidy. It is the custom of many Governments to give financial assistance to public enterprises — railroads, steamships, and the like — especially at their inception, as without such help the prosposition might not be attractive to investors, and a matter of public need not developed. To encourage building railroads into unsettled regions, and pioneering work of that kind, the Government grants a "subsidy" — gives to — of so many thousands of dollars a mile of completed road, for example, and, with this assistance, the railroad goes on to completion. "Subsidies" vary greatly in their character and conditions. Some railway companies have been granted in this country large tracts of public land along their rights of way, which afterwards become valuable, as the country developed. Steamship companies are often allowed a very large annual sum for carrying the mails. In Canada and Mexico, many direct grants of money have been made; and so on.

The investor is, from time to time, encouraged to buy securities of a company by the fact of a "Government subsidy" having been allowed it. This may be a very important factor, and enough so to make an otherwise insecure investment a good one.

Sub-Treasury.[1] Unless otherwise specified, the New York sub-treasury is understood, although there are "sub-treasuries" in other large cities in the United States. The former is located on Wall Street, and through it the larger proportion of the Government's money transactions with the people are conducted. Such matters as payment of checks issued in settlement of Government bond interest; pension disbursements, the redemption of mutilated paper money, refunding and redeeming of Government bonds, etc., are

[1] The first "sub-treasury" resulted from a change in the financial policy of the Government after the fall of the Second United States Bank, and was established in 1846 in Wall Street.

Besides New York City, there were sub-treasuries located at Baltimore, Boston, Chicago, Cincinnati, New Orleans, Philadelphia, St. Louis, and San Francisco; a total of nine, but the work is now performed by the Federal Reserve Banks.

among its many duties. The Assistant Treasurer of the United States is in direct charge.

The "sub-treasuries" receive money from the custom-houses, post-offices, and such other departments of the Government; and are of material assistance to the people in telegraphic transfers of money from one section of the country to another. Between any two points in which there are such institutions, gold received at one and deposited with that "sub-treasury" may be credited by telegraph to a person at the other "sub-treasury" point. Currency, likewise, for sudden needs, may be so transferred. The Government makes a charge for such accommodation.

An importation of gold at San Francisco from Australia may be immediately credited to parties in New York through the medium of the "sub-treasuries." By this method, London will often pay with Australian gold its own debts to New York.

Sub-Treasury Credit. See "Sub-Treasury Operations."

Sub-Treasury Debit. See "Sub-Treasury Operations."

Sub-Treasury Operations. (First read "Sub-Treasury.") The following is an example of a newspaper treatment of this subject:

SUB - TREASURY OPERATIONS

	Paid to Banks	Received from Banks		Banks
March 6	$ 6,087,000	$ 7,048,000	Lost	$ 961,000
Since Friday	15,930,000	18,781,000	Lost	2,851,000

The sub-treasury was debtor at the clearing-house on Wednesday $131,129. There were no important items. The banks have lost to the sub-treasury since Friday $2,851,000, and for the same period the sub-treasury was creditor at the clearing-house $653,780. The sub-treasury paid to banks $700,000 on telegraphic order against the deposit of new gold at the San Francisco mint.

Supposing the reader to be familiar with the "clearing-house" system, the above will be clearly understood.

In each city where there is a clearing-house and a sub-treasury, the latter is by courtesy made a member of the association, and "clears" through it practically the same as any bank.

The statement that it was "debtor" at the clearing-house means that there was a certain amount due from it to the clearing-house under settlement, and may be referred to as a "sub-treasury debit." The balance is usually the other way, however, and the clearing-house owes the sub-treasury, in which event it is referred to as "sub-treasury credit." The statement that the banks have lost to the sub-treasury

$2,851,000, means payments by them to the Government. The reference to a telegraphic order against the deposit of new gold at the San Francisco mint, indicates that there had been deposited in the hands of the Government at San Francisco $700,000, which was quickly made available in New York City by a telegraphic order to the sub-treasury there from the San Francisco mint to pay it out in accordance with instructions given by the depositing party.

Sub-Treasury Receipts. Issued by the various sub-treasuries of the United States in receipt for money received from various sources, such as taxes, custom receipts, post-office receipts, and mutilated currency. The reason why new currency is not given in place of the old without the intervention of the receipt is that it takes time to count the money which is deposited, and not infrequently requisition has to be made on the Treasury at Washington for the new currency before the transaction is complete. The receipt given for mutilated currency is one "subject to count," and it will readily be seen that it would be impossible to count the old currency received and the new currency to be furnished in its place while the customer is waiting.

Receipts were issued, and now are issued, in non-negotiable form, for legal tenders or gold, if deposited with a sub-treasury, but do not differ in character from any other receipts issued by such offices.

Sucre. Monetary unit of Equador. On Oct. 1, 1905, as valued by the Treasury Department, it was equal to $.487 United States money.

Sugar. The American Sugar & Refining Co.

Sundry Assets. (First read "Assets.") Miscellaneous property which has not been placed under some definite heading; which has not been classified.

Support. One "supports" the market when he buys freely as offers to sell are made, without endeavouring to make advantageous trades for himself as to prices; that is, buys at prices offered, so as to give the impression that there is a good demand and thus prevent a decline in prices, and, perhaps, inspire enough confidence among those desiring to sell so that they will regain their courage and not only stop selling, but begin to buy again.

Supporting Orders. Orders given to buy securities in order to "support" the market. (See "Support.")

"Supporting the market" has the same significance.

Surety. A guaranty or security against loss, or for the carrying out of some agreed promise or act. A person or company who so guarantees another acts as "surety," and any paper or bond given as evidence of the fact bears the same title. A surety company is one, which, for proper compensation, acts as "surety."

Surety Company. See last subject.

Surplus. That proportion of the earnings of a business after paying all expenses for operating and making all provisions for interest on bonded indebtedness, dividends, insurance, taxes, rentals, etc., and is the amount of profits which can be carried forward into the next business period. When this amount of "surplus" is added to a similar previous accumulation, it is referred to as "total surplus."

The "surplus" of a corporation may be far greater than the capital. A good illustration is the case of the Chemical National Bank of New York, which, on Nov. 12, 1906, had a surplus of $7,200,000, and a capital of only $300,000.

Surplus Reserve. Cash — *i. e.* "lawful money" — held by national banks in excess of the "reserve" requirements. (See "Reserve.")

Surrender Value. The "surrender value" of an insurance policy is what the company agrees to pay to the holder of the policy upon surrender of the same. This value is figured on the policy reserve and at a lesser sum than what has been paid in in premiums.

Suspense Account. An account under which items are entered, the final disposition of which has not been determined. An account in which an item is held in suspense until the proper account is ascertained, to which it is afterwards transferred.

Imagine a corporation to be sued for $10,000 damages. There is a chance that but a small part, or none of it, will be allowed by the courts. The company may see fit to transfer the full amount to "suspense account" pending the litigation.

Suspension. A temporary delay in meeting payments on the part of a concern perfectly solvent, but which, owing to a financial crisis or some unusual existing condition, may not be able to get its resources in shape to meet demands for a brief time.

Suspension of Specie Payment. This took place about Jan. 1, 1862, and continued until Jan. 1, 1879; both gold and silver practically disappeared from circulation except on the Pacific coast, where, it is estimated, there was generally about twenty-five million specie in circulation. Small change was so scarce that Congress authorized, first, the use of postage stamps, then, a modified form of the latter called "postal currency," and, finally, paper money in fractional amounts of a dollar. There is practically none of the last in use now as money, but $15,245,183.88 is still outstanding, a little more than half of which is officially estimated as destroyed.

Sweating. A method of diminishing the weight of coins by shaking them in a confined space, as a bag; the dust so collected and retained being a dishonest profit. This used to be a wide-spread evil in England and strenuous efforts were made to break it up.

Sweeten. To give more "collateral" or "margin." When a loan is asked for and the collateral offered is not satisfactory to the lender, the borrower "sweetens" it by improving the grade or adding more to it.

Swings. Ups and downs of periods of business activity. From the close of the Civil War these "swings," back and forth from good to bad times, followed this course;

Years	Period of	Duration
1868–1873	Advance	5 years
1873–1877	Decline	4 "
1877–1882	Advance	5 "
1882–1885	Decline	3 "
1886–1892	Advance	6 "
1892–1896	Decline	4 "
1896–1902	Advance	6 "
1902–1903	Decline	1½ "
1903–1907	Advance	3 "
1907–1908	Decline	1½ "
1908–1910	Advance	2 "
1910–1911	Decline	1½ "
1911–1913	Advance	1½ "
1913–1914	Decline	1½ "
1915–1916	Advance	2 "
1917–1918	Decline	1½ "
1918–1919	Advance	1½ "
1920	Decline	

Note the fact that, upon the whole, the periods of depression are of shorter duration than those of advance.

"Swings" in market prices refer to the movement of prices in one direction followed by considerable change in the other. Like the action of the pendulum of a clock.

Switching. See "Grain."

Syndicate. A group of men, bankers, or any combination of the same, who combine their mutual interests for the purchase or control of certain properties or securities. The members of the syndicate are generally bound by what is called a "syndicate agreement;" in other words, a written instrument to carry out the terms of the agreement, signed by the parties. (See also "Underwriting.") Some person, firm, bank, or trust company is usually selected as a "syndicate manager," whose duty it is to see that the terms of the "syndicate agreement" are fulfilled by all parties to it.

Before signing a "syndicate agreement," it is desirable to note carefully its provisions, it being especially important that it should not become operative until a sufficient amount of the issue in question has been subscribed to ensure its success.

Syndicate Agreement. See "Syndicate."

S. & M. September and March; interest or dividend payments semi-annually, beginning with September.

T

T. The "ticker" abbreviation for "terminal."

Tael. The "tael" is a weight as used in the Chinese money system. It is in no sense a monetary unit.[1]

A new monetary system, however, was introduced in China February 10, 1914; this will be found explained under the subject "Cash."

Tailer (or Tailer On). One who has but little capital or self-confidence, and who follows some one else's lead.

Take Up. A very common term used to denote that the purchaser of bonds, stocks, or whatever it may be, has paid for and obtained delivery of the same; *i. e.* "taken up;" got rightful possession of.

Tale. "By tale;" *i. e.* by count. In transactions regarding metallic money, "by tale" is used to distinguish from "by weight." The former would have reference to the sum total of a given amount of gold coin, for instance, without any regard to the abrasion; whereas "by weight" would mean its actual value, abrasion deducted, and would naturally give a less total sum than as if reckoned "by tale."

Talent. "Talent bought the stock." Those very close in touch with financial affairs; members, for instance, of a stock exchange; bankers and brokers or "professional traders." (See "Traders.") The ordinary investor or speculator would not be included among the "talent."

Talon. In the case of a coupon bond, particularly one having no definite date of maturity, but issued in perpetuity, the supply of coupons attached to the same may become exhausted. Under such circumstances, there remains attached to the bond what is termed a "talon" which enables the holder to demand a fresh supply of coupons. This is an English term and custom.

Tangible Assets. Property which one may touch physically, such as real estate, machinery, cash, etc. Good-will would not be considered a "tangible asset."

[1] "If an article costs so many taels, it should be paid for theoretically by weighing out so much silver bullion of a given fineness. This is actually done in native transactions in the interior, but in the larger cities to-day such a transaction is generally settled by the paying over of some coin or negotiable paper at the current rate of exchange. Every locality and many separate trades have their individual tael standard, and the total number is said to reach nearly 70. The best known, the Haikwan or customs tael, in which customs duties are reckoned, weighs 583.3 grains avoirdupois, and few of the others vary more than 10 per cent from this. The cash is a copper coin used by the mass of the people for daily transactions. For rough calculations it is usually reckoned at one-tenth of a cent Mexican (money); but there are many kinds of cash and all of them fluctuate from day to day independent of the silver currency." From the U. S. Govt. Commerce Reports of Oct. 23, 1916.

Tape. See "Ticker."

Tape Price. The price of a security as indicated by the "tape." (See "Tape.")

Tare. Tare is the weight of the vehicle, cask, or package in which a commodity is shipped; as in the case of a load of hay, the difference in weight between the total weight, including the cart, and the weight of the hay itself is the tare, and must be deducted from the total weight to ascertain the true weight of the hay.

Tax Certificates. See "Delinquent Tax Certificates."

Taxes on Stock Transfers. Sec. 3524. 4. Capital stock, sales or transfers: On all sales, or agreements to sell, or memoranda of sales or deliveries of, or transfers of legal title to shares or certificates of stock or of profits or of interest in property or accumulations in any corporation, or to rights to subscribe for or to receive such shares or certificates, whether made upon or shown by the books of the corporation, or by any assignment in blank, or by any delivery, or by any paper or agreement or memorandum or other evidence of transfer or sale, whether entitling the holder in any manner to the benefit of such stock, interest, or rights, or not, on each $100 of face value or fraction thereof, 2 cents, and where such shares are without par or face value, the tax shall be 2 cents on the transfer or sale or agreement to sell on each share, unless the actual value thereof is in excess of $100 per share, in which case the tax shall be 2 cents on each $100 of actual value or fraction thereof:

Sec. 3525. Provided, That it is not intended by this title to impose a tax upon an agreement evidencing a deposit of certificates as collateral security for money loaned thereon, which certificates are not actually sold, nor upon the delivery or transfer for such purpose of certificates so deposited:

Sec. 3526. Provided further, That the tax shall not be imposed upon deliveries or transfers to a broker for sale, nor upon deliveries or transfers by broker to a customer for whom and upon whose order he has purchased same, but such deliveries or transfer shall be accompanied by a certificate setting forth the facts.

Since June 2, 1905, the State of New York has enforced a stamp tax law on stock transfers, which, in part, is as follows:

"A tax is imposed upon all sales or agreements to sell and upon all deliveries or transfers of shares or certificates of stock of any and all associations, companies and corporations, whether domestic or foreign at the rate of two cents on each hundred dollars of face value or fraction thereof, except where shares or certificates of stock are issued without designated monetary value, in which case the tax shall be two cents for each and every share of such stock.

"The statute does not apply to the original issue of stock; but all sales or transfers made subsequent thereto, whether intermediate or final, are taxable.

"It is the duty of the person making or effectuating the sale or transfer to pay the required tax by procuring, affixing and canceling the stamps, except that where a sale or transfer is shown only by the books of the corporation, the person making the sale must secure, and the corporation affix and cancel the stamps to its books."[1]

Tax Exempt. See "Non-taxable Investments."

Tax Free Investments. See "Non-taxable Investments."

Tax Refund. Used in relation to an issue of securities where an agreement exists that certain taxes, which the holder may be compelled to pay, will be refunded.

To illustrate: In the issue of convertible notes put out by the United Gas & Electric Corporation, it was provided that annual taxes paid in Massachusetts would be refunded through the First National Bank, of Boston, in accordance with and subject to the terms and provisions of an agreement executed between the corporation and the bank.

Tax Relief Bond. Bonds issued in anticipation of payment of taxes; that is, a municipality needs money for some purpose immediately, the expenses of which would ordinarily be taken care of by taxation, the taxes, however, are being paid slowly and not coming in fast enough to furnish funds for the purpose needed. Consequently, bonds having a short time to run are issued, but more frequently short time notes are sold for this purpose.

Technical. This is used in reference to an artificial condition of the market, which has been brought about usually by "manipulating" or over-speculation; an unnatural level of prices, which cannot last.

Telegraphic Transfers. See next subject.

Telegraphic Transfers of Money. A method of obtaining immediate use of money at a distant point in the same country, and effected in the same general way as "cable transfers." The telegraph company charges a certain fee according to the sum transferred, plus the charge for the telegram.

Telephone Securities. Bonds, stocks, and notes of the American Telephone & Telegraph Company and its licensee companies. For the sake of brevity we will refer to the former as the parent company and the latter as the operating companies. The impression prevails that an extensive amount of securities is being issued from time to time by the parent company, but, if the following facts are taken into consideration, it may not seem so excessive. A large percentage of

[1] The foregoing are extracts from the rulings of the State Comptroller of New York.

the telephone business is under the control of the parent company through ownership of stock in the operating companies. The securities of the former are issued to pay both for its own construction and also to acquire its proportion of new stock as issued by the latter. It owns, on the average, nearly 90% of the stock of these operating companies. Instead of this 90% being put upon the market, in each case, as the stock of different operating companies, it is represented by an issue of securities bearing one name, as it were. Of course the telephone investment is small compared to that of the railroads, but imagine, by way of illustration, that one parent railway company issued a uniform bond to pay for its subscription to a controlling interest in all the new stock issues of a large part of the operating railways of the country. The idea would prevail that there was an enormous over-issue. The bonds of the American Telephone & Telegraph Co. are virtually a stock issue without voting power on account of having for security the stocks of the operating companies. The soundness of these bonds as an investment rests largely upon the success of the telephone business of the country as a whole, and the success or non-success of one, or even a few, of the operating companies, stocks of which are behind the parent company's issues, cannot affect the payment of the interest or principal of the same.

One point deserves serious treatment, and much literature has resulted from its consideration, viz., the large amounts of money which seem to be required, from time to time, for the development and the equipment of the telephone business. Yet such a demand for money must be the result of the enormous increase in the telephone industry itself. The rapid increase in the number of telephones in use during the past few years of prosperous times is something enormous. There seems little expectation of an end of this in a growing country like ours so long as this growth continues. The telephone is becoming daily more and more a necessity of modern business and social life.

The stocks and bonds of the Bell operating companies as investments depend entirely upon their locality and the existence of competition. They have proved very satisfactory so far, and there seems to be no reason why, as a class, they will not continue to be. The investor, in each case, should select with care, as he would the securities of any other corporation.

The independent telephone companies are very largely situated in the West, and have been a fruitful source of competition to the companies above mentioned. But the factor is a disappearing one. Since the creation of so many Public Service Commissions, the public no longer thinks it necessary to hold an imaginary check over the American Company by means of competition, and, as no one relishes the inconvenience of a dual system, the tendency is towards consolidation, where the same is not in conflict with the anti-trust laws.

The independent companies, several thousand in number, which do not operate in towns where the Bell companies have exchanges, are nearly all connected to, and exchange traffic with, the Bell System, though they are owned by local investors. Some of these are quite large and cover considerable territory. But most of them are comparatively small and do not attempt to give the continuous day and night comprehensive service of the Bell companies, and they are able to give at lower rates a kind of service that is tolerable to the rural communities they serve, but which would not be acceptable in larger places.

In the report of the President of the American Telephone and Telegraph Company to the stockholders on March 12, 1917, appears the following, covering the year ending Dec. 31, 1916:

"At the end of the year, the number of stations which constituted our system in the United States was 9,847,192, an increase during the year of 695,971, of which increase 577,380 were owned by the Bell Companies and 118,591 were Bell connected stations. Of the total number of stations in the system, 6,545,490 were owned and operated by Bell Companies and 3,301,702 by local, co-operative and rural independent companies or associations having sub-license or connection contracts; the so-called connecting companies. The total mileage of wire in use for exchange and toll service was 19,850,315 miles, of which 1,344,770 were added during the year. Of the total mileage, over 17,167,405 miles were exchange wires, and 2,682,910 miles were toll wires." Further on it is stated that these figures do not include the mileage of wire operated by connecting companies.

For the past four years the companies show the following increase in subscribers' stations owned by them:

1913	Increase over previous year	461,762
1914	" " " "	347,799
1915	" " " "	392,892
1916	" " " "	577,380

The fact that telephone companies, as a rule, are peculiarly exempt from certain disadvantages common to many other corporations rendering public service, should be given a moment's thought. There is less likelihood of strikes and labor troubles and comparatively small liability from accidents and resulting losses for damages. Telephone service usually being paid for in advance, little loss of revenue is experienced from bad debts.

Some of the competing companies, for various local reasons, have earned, and continue to earn, sufficient to pay good dividends. But give due thought to the fact that the independent companies, on the one side, are a lot of disunited corporations, with many different managements; on the other hand, the centralized management of the "licensee companies" through their parent company must give the Bell system a certain advantage.

One word more. The belief, long held by some, that even in periods of widespread business depression there would be but a slight falling off of earnings, if not a positive gain, in the telephone business, has been substantiated. Naturally, there is more or less economizing in this direction, but many of the telephones are in on yearly contracts, and it was believed the subscribers, in any event, would be likely to order out their instruments as one of the last means of economy, and, furthermore, that a great many business concerns would take a chance of marketing their goods by the less expensive means of a toll call, in place of sending a representative. Through the periods of depression of 1907 and others following, it was discovered that the telephone business continued to increase, but the rate of increase incident to the more prosperous years fell off somewhat. The main point is, however, that the number of subscribers increased and likewise the toll receipts.

Teller. The one who receives the money at a bank, when taken for deposit, is called the "receiving teller." The one who pays out money, as demanded by the depositors, is called the "paying teller."

Temporary Receipts. Corporations issuing bonds or other securities may wish to obtain money from the sale of the same before the actual securities are ready for delivery. "Temporary receipts," so called, are frequently issued at such times to the purchasers, to be exchanged later for the securities themselves.

Tender. See "Bid.'

Tenn. Coal. Tennessee Coal, Iron and Railroad Co.

Tennessee. Tennessee Copper Co. There is also the Tennessee Coal, Iron & Railroad Co., generally known as "Tennessee Coal and Iron."

Ten-Twenties. Bonds due in twenty years, but subject to redemption after ten years from date of issue, at the pleasure of the issuer.

Term Deposit. Same as "Time Deposit."

Terminal Company Bonds. Proper terminals — that is, passenger and freight stations, yard room and trackage — especially in the larger cities, has become a matter of vast importance to railway companies. In many instances the very inability on the part of a railway to secure proper terminal facilities has prevented its entrance into a city.[1] Frequently railroads are unable, on account of conditions in previous mortgages outstanding upon their property, to create an additional indebtedness to pay for terminal properties; or, again, several railways wish to share the same terminal facilities. For either of the above, or possibly for other reasons, a "terminal company" may be formed, upon which distinct issues of securities are created, the proper contracts being executed with the railroad or railroads using the same, to provide for all charges for maintenance, interest, etc. It is quite customary for the railroad or railroads to guarantee a bond issue by such a "terminal company."

Bonds of the above nature, as a rule, are considered very safe investments, as is evidenced in Massachusetts by the fact that the bonds covering what is known as the South Terminal Station have been made a legal investment for savings banks in that State.

An investor contemplating the purchase of a terminal bond must consider several things:

First, the strategic position occupied by the terminal itself; that is, whether or not satisfactory terminal facilities for the company's using the same could be found elsewhere.

Second, the standing of the road or roads using the terminal and their earning capacity above interest upon their own bonded indebtedness, whether or not in good times or bad the excess of earnings will be sufficient to meet the terminal contracts.

Third, the character of the contracts drawn between the "terminal company" and the railway company or companies, whether or not such contract or contracts properly safeguard the interest payments during the full life of the bond and provide for the payment of the principal when it matures, unless the real estate value of the terminal property is so much greater than the bonded indebtedness that the payment of the principal need not be considered; and whether the guaranty is joint or joint and several.

In brief, terminal bonds upon properties difficult to dupli-

[1] The cost and importance of terminals in the larger cities is well illustrated by a struggle between two of our great railroad systems in competitive railroad building in the Northwest. The *Railway Age* declares that one company is reported to have invested between $11,000,000 and $12,000,000 for terminals in one city, the railroad extension leading to it being but 180 miles long, upon which the expenditures for terminals would be equivalent to $64,000 per mile, or probably a greater cost than the actual construction of the mileage itself. Estimating at $50,000, the total cost per mile of the extension, securities will undoubtedly have to be issued to the amount of about $114,000 per mile. Even with the realization of the large traffic which it is anticipated that the extension will bring about, such traffic will have to be exceedingly heavy to justify the construction of such an expensive piece of road.

cate and in important railroad centres or shipping points should be good investments if proper care is taken to look into the securities along the lines suggested above.

Term Insurance. A life insurance policy of this class is one that is taken out for a stated number of years; the face of the policy to be paid only in case of death before the expiration of the term. A term policy has no value after its expiration.

Term of Discount. The length of time for which a note is " discounted," to which subject refer.

Terms of Sale. Conditions, other than price, named by the seller; or the price only; or both.

Thaler. The " thaler " of Germany is an old silver coin of the value of three marks or about seventy-two cents in our money. Until recently these coins had full value as legal tender; they are now being rapidly recoined into other pieces in the German monetary system.

The Papers. See " Documents," meaning the same.

Third Consolidated Mortgage. A very uncommon issue, but a reading of " Second Consolidated Mortgage " will naturally make this subject understood.

Third Mortgage. A mortgage placed upon property which already has two other mortgages existing upon it: for instance, a certain piece of real estate, supposed to be worth $15,000, has against it a first mortgage for $5,000 and a second mortgage for $3,000. The owner wishes to borrow $2,000 more, and finds some one who is willing to accept a " third mortgage," upon the same, for that amount, making the total mortgage indebtedness against the property $10,000. Imagine that the owner of the property is unable to pay the interest upon the " third mortgage " when due; in order for the holder of this mortgage to protect himself, he must foreclose the property under his own mortgage and pay the holders of the other two mortgages their due.

In taking a " third mortgage," one should have reason to believe that the property will, at any time during the life of his mortgage, bring at " forced sale " a price sufficient to pay off all three mortgages, because the first and second mortgages must be satisfied in full before the " third mortgage " holder receives anything.

Third Mortgage Bond. A bond secured by a mortgage upon a property which already has two other mortgages existing upon it and which mortgages would have prior claims upon the property and its earnings. (See " Third Mortgage.")

Third of Exchange. See " Set of Exchange."

Third Preference Shares. The English equivalent of the American " third preferred stock." Not very many such issues in existence; the British National Telephone Co. has "third preference shares" outstanding.

Third Preferred Stock. (See "Preferred Stock.") Such an issue as this is rare, but it would simply rank after the first and second preferred stocks.

Third Teller. Same as "Note Teller."

Thirties. See next subject.

Thirty-Day Bill. A bill of exchange (see "Exchange") may be drawn payable in thirty days after date, but it is more customary to draw them payable thirty days "after sight;" that is, after presentation. If in the latter form, and drawn on England, roughly speaking, ten days may be reckoned as the time elapsed after drawing before presentation, and as three days' grace is allowed there on time bills, it would make a total of approximately forty-three days before actual maturity.

Bills of this kind are called "Thirties."

Threadneedle Street. See "Lombard Street."

Three-Cent Silver Pieces. A small silver coin of the United States, the minting of which was discontinued by Act of February 12, 1873. Legal tender in amounts not exceeding $10.

Three C's. The Cleveland, Cincinnati, Chicago & St. Louis Railway Co. is often referred to in this manner. "Three C's" is also used to refer to the three large products of the earth — copper, corn, and cotton.

Three-Dollar Gold Pieces. The coinage of these was discontinued under Act of September 26, 1890. They contain 69.66 grains of fine gold and 7.74 grains of alloy. The total coinage was only 539,792 pieces.

Three I's. The Indiana, Illinois & Iowa Railroad Co., now a part of the New York Central system, used to be, and is now, frequently referred to as the "Three I's."

Three Months' Bills. These do not differ in any way from "ninety-day bills" (to which subject refer) except wherein the actual months covered might total in days more or less than ninety days; that is to say, a "three months' bill" dated the first day of November, would cover 30 days in that month, 31 days in December, and 31 days in January, making a total of 92 days. With this understood, everything else mentioned under "Ninety-Day Bills" applies here. It is very much more the custom to draw "ninety-day bills" than "three months' bills."

Three-Name Paper. A note for which three parties are each responsible for payment; a note bearing three signatures, or a combination of three signatures and indorsements, whereby three parties are each responsible for its payment.

Three Pence. A silver coin of Great Britain, equal in value to about six cents United States money.

Three Sixty-Fives. Bonds bearing interest at the rate of 3.65% per annum. This peculiar rate results from the fact that it is the equivalent of one cent per day on each $100 invested. A good illustration is the District of Columbia, which has borrowed quite largely by the issuing of bonds bearing this rate.

Ticker.[1] A small printing machine operated by telegraph, by which the outside world obtains reliable information as to the prices of securities and commodities dealt in upon the principal exchanges of the world. It is the broker's never-failing source of information. The results are read from a narrow strip or ribbon of paper, which automatically unwinds as needed, and, after passing between type-bearing wheels, run out into a basket set for the purpose. This ribbon is called the "tape."

The quotations appear on the "tape" in printed form, the name of each security being abbreviated. Two hundred shares of common stock of the Union Pacific Railway Co. at 110 per share, would be recorded: "2 U. P. 110." Men group about the "ticker," in the various offices, and follow the unwinding of the "tape" with keen interest, and the faster the "tape" travels, and the more audible the sound of the ticking, the greater the attention which it attracts, as it indicates increased market activity or something of importance happening.

Tickerosis. A humourous name for one who has a craze for watching the quotations as they come in on the "tape," and who may be found during stock-exchange hours hanging over the "ticker."

Ticket-Day. Next to the last of the London "Fortnightly Settling-Days" (see that subject). Upon this day clearing tickets are passed. The broker prepares a ticket upon which is given the buyer's name and address and the price at which the transaction is made, which he hands to the selling jobber. These tickets go from one to another until they reach the actual buyers or sellers. Thus delivery may be accomplished

[1] Introduced in 1867.

Besides the stock "ticker" there are similar machines which furnish quotations upon various commodities, such as grain, cotton, coffee, etc., as the transactions take place in the large exchanges where such commodities are handled.

Complete information in relation to all the signs and abbreviations appearing upon the "tape" will be found in "The Ticker Book" by S. S. Fontaine and R. L. Neville.

without the intervention of any intermediaries. (This whole matter may be better understood by reading " London Stock Exchange Transactions.") " Ticket-day " is also called " Name-Day."

Tickler. A book in which all debts due to a banking institution (or any one) are entered, together with dates of maturity, so that failure to present for payment at the proper time may not occur. It is a reminder.

Tied Up. See " Locked Up."

Tierce. In speculating in lard this term represents 340 pounds.

Tight Money. Difficult to borrow money, except at high interest rates, and, sometimes, impossible regardless of rate.

Till Money. An English term for money which a banker must keep close at hand ready to meet payment of checks as presented over the counter.

Time Bills. Bills of exchange (see " Exchange ") payable at some fixed date as distinguished from " sight " or " demand bills." If the holder of a " time bill " wishes to realize money upon the same, he takes it to some dealer in " foreign exchange," who buys it at the prevailing rate of exchange, less the interest for the unexpired time, reckoned on the basis of the rate prevailing in the country against which the bill is drawn.

Time Certificate. See " Certificate of Deposit."

Time Collateral Paper. See " Collateral."

Time Deposit. A deposit of money in a banking institution to remain for a specified time. Upon money deposited in this way the institution is supposed to pay interest, and a greater rate of interest (if any) than allowed on deposits "subject to check." (See also Addenda.)

For all practical purposes, savings bank deposits are " time." To withdraw them before the expiration of a given time, a greater or less sacrifice of interest accrues to the depositor. Most savings banks reserve the right, and it is so specified in their deposit books, to require a certain notice, thirty, sixty days, or some such time, in which to pay depositors. This privilege is very rarely exercised and only in case of financial troubles.

Time Discount. Any money gain accruing to the purchaser of merchandise on account of anticipating the payment of the bill for the same.

Time Draft. (First read " Draft.") A draft payable on a certain named day or at expiration of a stated length of time after it has been presented for " acceptance " (see that subject); that is, after "sight." A draft payable ten days after "sight" becomes payable ten days after it has been presented for "acceptance." The presenting of the same, however, often depends upon the receipt of goods against which the draft may have been drawn for payment, and, in such a case as above, would not be presented for "acceptance" until the arrival of the goods themselves.

Time Loan. A form of borrowing where the agreement between the borrower and the lender sets a definite time at which the loan shall be paid, and by which the right does not exist on the part of either for earlier payment than the date specified in the note.

Time Money. Loans for a definite time as opposed to "call" or "demand" loans; loans which neither the lender nor borrower has the right to demand or make payment of before the time specified in the note.

Time Paper. Notes, drafts, etc., payable at certain future dates. See "Time Loan" and "Time Draft."

Tip. Information given in a secretive, or what is supposed to be a secretive, way, purporting to aid one in deciding as to what action to take regarding the purchase or sale of certain securities. "Tips" are sometimes honestly given; sometimes given with the intent to mislead; and, again, are honestly given, but in spite of that fact may not prove to have been based on correct information. (Read "Tipster.") Advice sincerely given, however, by the legitimate banker or stock exchange broker must not be confused with the underhand fatherless advices of the "tipster."

Tipster. One who advises another what to buy or sell, with the expectation of making a profit, if the advice is followed, either by the business being done through the one giving the "tip," or by being given an interest in the profits, if any.

Beware of a "tipster." An advertisement of one's being able to furnish "tips" on stocks, returning fabulous wealth to those seeking the advertiser's advice, is a thing to be avoided like the smallpox. No legitimate broker does anything of this kind. A member of the stock exchange so advertising would be heavily penalized by the officers of the exchange. In the financial world, there is no such thing as an "absolute certainty" for the making of money. If it existed, there would be no need to advertise regarding it.

A good example of a circular sent out by an irresponsible member of society of this kind, who advertised that all trades were made on either the New York Stock Exchange or the Consolidated Stock Exchange, is one which reads in part:

"The funds are operated by us for our clients on information which we receive, and which we are supposed to use for our own benefit, and which we are not supposed to retail to the public at large. At the present time a certain low-priced railway stock has been cornered. It will mean a profit in from five to ten days of 200 or 300 per cent. In other words, we will return every dollar you send to us, with 6 per cent. interest, inside of 10 days if the movement does not take place as scheduled. If it does, we will return all the money you send, with all the profits, less 5 per cent. of the profits, our commission. Why such generosity? Just to get acquainted with you — to get you for a permanent customer."

Title Insurance. A plan by which one may obtain insurance against loss arising from an imperfect title to real estate, it falling upon the company to satisfy itself as to the title's soundness. This is often advisable for those ourchasing mortgages.

Title Insurance Company. See "Mortgage."

To Account Rendered. Indicating that a bill or statement for the same had been previously furnished the debtor.

To Bearer. See "Payable to Bearer."

To Bill Rendered. See "To Account Rendered."

To Boot. Money or anything given as an extra inducement to effect an exchange (swap) between parties.[1]

Token Money. Formerly issued by merchants as small change when there was a scarcity of Government coins of small denominations. They had the general appearance of coins, but not equal in value to the face amount. The issuers were expected to redeem them on demand.

Government issues of minor coins, which in themselves are of less value than their face, but which, by law or custom, are current at their face value, or in excess of their real value, are "token" coins; such as our copper cents and nickel coins.

Tolerance. The legal allowance for abrasion of coins, below which the Treasury will not redeem them at their face value. The allowance varies with the time of circulation. Also called "Mint Remedy."

Ton Mile. The movement of one ton of freight one mile. It is taken as the unit of cost and service in freight transportation. Transportation service consists of two factors, weight and distance. The weight alone is no indication of the amount of a railroad's business; that is to say, a railroad carrying a

[1] Trenholm states that "money was probably at the very first used only as a make-weight in bartering and trading; the 'boot,' as we call it now. It may be imagined that when bartering and 'trading' became close, some article of general acceptability was added to the less valuable of the two things under exchange, so as to equalize the values received by the parties to the barter."

larger number of tons than another might actually be doing less business, because the number of tons carried was for a less distance.

The product of tons and miles is used by railroads to compare business done with that of other roads, or with their own business in other years.

Ton Mile Cost. The cost of carrying one ton of freight one mile. This cost cannot be accurately ascertained. It is merely a rough approximation used by railroads for comparative statistical purposes.

Tonnage. The amount of freight carried by rail or boat.

Tonopah. Tonopah Mining Co. of Nevada. (Gold and silver.)

Tontine Insurance. A life insurance contract which provides that all payments made by the insured and all accrued profits shall be forfeited and the contract terminated upon the non-payment of any premium when due. Sometimes used incorrectly to designate deferred dividend policies which have both cash surrender and paid-up values. These policies are *semi* or *free* "tontine," being "tontine" only as to their dividends, which are lost to the insured in case of death or lapse.

To Order. See "Payable to Order."

Top-Heavy. A market is, or prices are, "top-heavy" when too high for the times, and ought, judging from existing conditions, to tip over, react, or decline.

Toppy. Prices getting dangerously high and ready to topple over; top-heavy.

Torrington. The Torrington Co. (Needles, etc.)

Total Surplus. Surplus for year added to previous "Surplus."

Touched. "General Electric touched 180;" meaning that the stock of that company reached the price of $180 per share.

TR. The "ticker" abbreviation for "trust receipts." It is also otherwise used to mean "transit" or "trust."

Traction Shares. In general, the stock of any or all street railway companies; but, as used in the New York newspapers, stocks of the local companies.

Traction Stocks (or Bonds). Issues of securities by street railway companies of all kinds, whether operating elevated roads, surface lines, or subways. It is to distinguish these securities from railroad companies, as commonly understood, that the word "traction" is used. (See "Electric Railway Securities.")

Trade Balance. Same as "Balance of Trade."

Trade Bills. An English term for "inland (exchange) commercial bills." (See "Exchange.")

Trader-Broker. A member of the stock exchange who buys and sells on his own account.

Trade Discount. The discount allowed by the manufacturer or wholesaler to some one else in the trade, generally the retailer, on goods purchased; the goods themselves to be billed at the retail price, and the discount, therefore, being so much off the retail price. Dealers of certain commodities, the prices of which have a wide range of fluctuation, such as paper, glass, etc., have fixed charges for their goods, and issue discount sheets, from time to time, stating what discounts from these prices will be allowed.

Trade Dollars. Authorized by the Act of February 12, 1873, containing 420 grains troy; intended for circulation in oriental countries as a substitute for the Mexican dollar; slightly exceeding the same in weight; formerly legal tender in the United States in sums not exceeding $5. This latter quality was withdrawn in 1876 and the coinage was limited to such amounts as the Secretary of the Treasury should consider sufficient to meet the export demand. In 1887 the retirement of trade dollars and their recoinage into standard silver dollars or subsidiary silver was provided for by law. The total number of trade dollars coined was 35,965,924. The number redeemed under the Act of 1887 was 7,689,036. For six months after the passing of the Act of 1887 trade dollars could be exchanged, dollar for dollar, for standard silver dollars or subsidiary coin. Since the expiration of that redemption period Trade Dollars have been purchased as bullion when presented at the mints.

Trade Paper. See "Business Paper."

Traders. Those who make a business of buying and selling securities upon their own accounts. They must not be confused with bankers who sell to regular clients, or with brokers who execute orders on a commission for others.

There are several classes of "traders" so-called; first, those who are not stock exchange members; second, professional traders, who differ from the first named only in owning stock exchange seats, who also have their orders executed by some other stock exchange member, and to whom they pay a very much reduced commission, in accordance with the stock exchange rules, but do not go upon the floor of the stock exchange to execute their own orders, although they would be privileged so to do, in which latter event they would become, third, room traders; *i. e.* those upon the floor of the stock exchange, who buy and sell securities for their own account. Such, of course, must be members of the stock exchange.

One writer very well says:

" Trading in stocks can ordinarily be divided into professional and public dealings. There is a great difference between the two. Professional trading includes manipulation and the operations of those who make trading in stocks a considerable part of their daily business. Trading by the public covers investment business and a form of dealing which is partly speculative and partly investment. The professional operator trades all the time. Public trading is variable and very uncertain."

Trading. Buying and selling securities for personal gain, the dealings being with bankers or brokers and not with the investment public. A reading of the subject under the heading " Traders " will give a fair idea of what is known as " trading."

Traffic Density. May be either " freight density," or " passenger density." (See those subjects.)

Traffic Pools. See footnote to the subject " Pool."

Train Mile. The movement of a train one mile. It is taken as the unit of movement of trains between terminals.

Transcontinentals. As commonly understood, the lines of railway connecting the Central West and the Pacific Coast.

Transfer. See " Transfer of Stock."

Transfer Agent. A person, banking house, bank, or trust company — generally the latter — which has in its possession the books of unissued stock certificates, and, probably, a seal of the corporation, for which it acts as transfer agent, and which is authorized to issue new certificates for old ones when presented, properly assigned and witnessed, and to keep a record of all such transfers.

A " transfer agent " is one through whom a change in ownership of a corporation is made; corresponds to a register of deeds in a transfer of real estate.

Transfer Book. A book in which is recorded transfers of shares of stock, showing a change of ownership.

Transfer Books Closed. See " Books Close."

Transfer in Blank. First read " Transfer of Stock." Transfer in blank means that the owner or person in whose name stock is registered signs his name in the proper place on the certificate and delivers it without filling in the name of the new owner of the certificate. If, for instance, Maria Morton sells her fifty shares to John Roe, and fills in his name

on the back, then he only is entitled to have a new certificate issued in his name, and it is notice to the corporation that John Roe owns the certificate. But if Maria Morton sells and delivers her certificate to John Roe, and no name is filled in as above, then the certificate can pass from owner to owner, without the necessity of a new one being issued each time. However, should there be any dividend declared in the meantime and while the books of the company still showed Maria Morton to be the owner of the stock, the dividend would go to her and not to John Roe, or any subsequent owner. It would be proper and legal for the owner of the stock at the time of the declaration of any dividend to demand of the person from whom he bought the stock, and so on back to Maria Morton, the payment of the amount of such dividend, and she should pay it to John Roe, taking a receipt from him at the time of so doing.

There is an exception in case of the stock being sold " ex-dividend," for an explanation of which turn to that subject.

In the case of the sale of a stock of doubtful value, where possibly the corporation is in danger of failure, it is very important that the seller should personally attend to making the transfer on the company's books, for the name on the records of the company would be accepted, in law, as evidence of ownership, and if the stockholders, as in national banks, were liable for the debts of the corporation to an additional amount equal to the par value of the stock, then those whose names appeared on the records, at the time of the failure, as owners of the stock, would be the ones liable. By far the safest way is for the seller to forward the certificate to the transfer agent (see " Transfer Agent "), giving instructions for the issuing of the new one, thus being assured of the change in name upon the records.[1] Never " transfer in blank " any

[1] The very pertinent objection may be raised here, of forwarding a stock to be transferred into the name of another party before receiving payment for the same. Likewise, the transferee might object to paying for the stock until delivered. To prevent all doubt and risk, this may be effectually accomplished, as follows: The seller agrees to make delivery by transfer, as it is called. The transferee agrees to pay for the stock upon delivery. The latter executes a power of attorney, authorizing the transfer of the stock from himself to the original party; so that, at any time previous to the delivery and payment for the stock, the seller could, by the use of power of attorney, have it re-transferred to himself. He will hold this power of attorney; forward the stock to the transfer office with instructions for it to be returned to him after transfer. Upon its receipt, he will deliver to the purchaser the certificate of stock in the latter's name, together with the power of attorney referred to. By this method, if, for any reason, the purchaser should refuse or be unable to accept the certificate of stock, then the seller, by the use of the power of attorney, could have a new certificate issued in his own name.

The ordinary method, which is considered sufficiently free from risk by stock which carries additional liability for debts or which is subject to any assessment whatsoever. (See " Non-Assessable.")

Transfer Office. See " Transfer Agent."

Transfer of Stock. Transfer of ownership in a corporation from one person to another. The actual method of accomplishing this is for the holder of the certificate (see " Stock Certificate ") to fill in a blank to be found upon the back of the same, inserting the name and address of the next owner and signing his or her name. (If owned by another corporation, then that corporation's name followed by the signature of the officer authorized to sign for such purpose, and accompanied by a copy of the vote or extract from the company's by-laws, authorizing the transfer, and certified by some officer other than the one signing the transfer.) Then the signature should be witnessed by another person who should sign after the word " Witness." Care should always be taken to make the owner's signature upon the back agree exactly in wording and spelling with the name as filled in upon the front of the certificate. For example, if Mrs. Maria Morton is the name on the front, then she must prefix the *Mrs.* to her signature on the back. The certificate may then be sent to the transfer agent (see " Transfer Agent ") and a new one — the old certificate being cancelled — will be issued in the name of the new owner, and delivered in accordance with instructions accompanying the old certificate. Suppose, however, Maria Morton owned a certificate for fifty shares of a certain stock, of which she had sold to John Roe, twenty. She would then fill in upon the back, in the blank showing the next owner, as follows:

John Roe twenty shares **Maria Morton thirty shares**	**Give in each case the full post-office address.**

And then the transfer agent would issue new certificates accordingly.

There is another part of the blank upon the back of a stock certificate, which is sometimes filled in by the person wishing to make transfer; that part which allows the naming of an attorney to make the transfer. If, for any reason, Maria Morton should wish to send her certificates to some one in whom she placed confidence, giving this person — not necessarily a lawyer — power to go to the transfer agent and accomplish the transfer, she must fill in the name of the person to whom she wishes to delegate such power and in the blank

the brokers, is for the seller of a certificate to fill in upon the back the name of the party to whom he is selling. This will compel a transfer of the certificate before it can again be sold.

last mentioned. The name of one's broker or banker is often used in this way. (Read "Transfer in Blank.")

Transfer agents must be satisfied as to the genuineness of signatures on certificates. It is well, therefore, when the signature is likely to be unknown to the transfer agent, to have some bank, banking firm, or notary public guarantee the signature.

Certificates should always be made out in one's full Christian name. In the case of a married woman "*Mrs.*" should be prefixed, and in the case of an unmarried woman "*Miss.*" In case of marriage, or re-marriage, a new certificate should be issued at once with the change of name. To have this done, fill in the transfer blank on the back, as follows: "Mrs. Maria Roe, formerly Maria Morton." Sign the transfer blank the same as on the front, "Maria Morton" in this example, and forward for transfer. A woman must never use her husband's Christian name in the issuing of a certificate; for instance, it should be issued to Mrs. *Maria* Roe, not Mrs. *John* Roe.

If a certificate is received, issued with any error, report such error to the transfer agent at once.

In the case of a lost certificate, notify the transfer agent immediately, sending description of certificate, particularly its number.

In transferring to a corporation, give the exact legal title, in order that there may be no mistake in the name.

When to a person under guardianship, the certificate should read, for instance, "William French, minor,[1] under guardianship of Henry Allen." When a transfer of such a certificate is necessary, the guardian must send with it a recently certified copy of his appointment — likewise administrators and executors, who must also send certified copy of the will — also the license of the court appointing him (if the laws of the State under which he is appointed require such a license). If a guardianship is ended, the legal evidence must be furnished.

Should it be desired to issue a certificate to a trustee, or trustees, send full description of the trust, giving clear reference to the document under which the trust was created. It is best to give the name of the beneficiary if possible.

Never make any additions or alterations to the face of a certificate.

Always give prompt notice of change of address to the transfer agents of all the different stocks owned. Name the corporations in the notice.

In transferring under a power of attorney, send the original power or a certified (by a notary) copy of it. Such powers

[1] If insane, write "incompetent" in place of "minor."

should be of recent date, or clearly show in their wording that they are still in force.

Unless there is State law giving authority for direct transfer, husband and wife should always transfer to one another through the medium of a third person. Executors, guardians, trustees, administrators, and attorneys should never have certificates transferred to them individually.

Transfers by trustees, administrators, or executors should be made with care. It is well to find out just what the transfer agent wishes in such cases.

For delivery upon the New York Stock Exchange, a certificate in the name of a married woman, and properly signed and witnessed by her, is acceptable unless the transfer books of the particular company are closed, when a joint execution of the assignment by both husband and wife before a notary public is required.

Ordinary form of reverse side of stock certificate:

For value received ___I___ *hereby sell, assign, and transfer unto*

John Roe, 23 Broad St., Cartersville, N. C., *all* ___my___

right, title, and interest represented by the within certificate, and hereby constitute and appoint ____________________ *true and lawful attorney, with full power of substitution, for the purpose of effecting the transfer of said interest on the transfer books of the depository referred to in said certificate.*

Dated this 1st *day of* Jan., 1907.

(Mrs.) Maria Jones.

In the presence of

William Green.

Transfers. Meaning telegraphic transfers or cable transfers, as the case may be. (See "Cable Transfers" and "Telegraphic Transfers of Money.")

Transit Stocks and Bonds. Very much the same as "traction securities" (see "Traction Stocks"), but in common use being applied more to the large street railway corporations of greater New York, such as the Brooklyn Rapid Transit Co., etc.

Transmission Company Securities. See "Power Company Bonds."

Transmission of Money. See "Shipment of Money."

Traveller's Checks. See "International Checks."

Traveller's Letter of Credit. See "Letter of Credit."

Treasurer. A custodian of funds; the receiver and distributer of funds. The treasurer of any incorporated company, municipality, or banking institution is the one directly responsible for the care of its financial resources. The treasurer of a savings bank corresponds to the cashier of a national bank. It is customary for treasurers to either sign or countersign all evidences of indebtedness, checks, contracts, etc. The bookkeeping department comes under his supervision.

Treasury Bills. A form of short time borrowing by the Government of Great Britain. It was first introduced in 1877. The bills are drawn in sums of £1,000, £5,000 and £10,000 each, either for three or for six months, and are issued — sold — to those who bid for them at the lowest rates. That is to say, they do not bear interest, but the purchaser obtains them at a price sufficiently less than their face value to cover the interest. In other words, the bills are sold "discontinued."

Treasury Notes of Act of July 14, 1890. By an Act of Congress, known as the Sherman Act, the Secretary of the Treasury was instructed to buy at the market price during each month, or so much thereof as was offered, fine silver to the amount of 4,500,000 ounces, paying for the same with treasury notes, redeemable on demand in coin and legal tender for all debts, public and private, except where otherwise expressly stipulated in the contract. "It was provided in the act that when the notes should be redeemed or received for dues they might be reissued, but that no greater or less amount of such notes should be outstanding at any time than the cost of the silver bullion and the standard silver dollars coined therefrom, then held in the Treasury purchased by such notes."

The purchasing clause of this act was repealed by Act of November 1, 1893; in the meantime there had been purchased 168,674,682.53 fine ounces costing $155,931,002 in treasury notes.

From November 1, 1893, to July 1, 1894, there were coined from the bullion, 140,939,750 standard silver dollars, of which $94,897,110 represented the cost of the bullion coined, while the remainder, $46,042,640, constituted the gain or "seignorage." On July 1, 1894, the total amount of silver bullion remaining uncoined was 5,607,238 fine ounces.

In the United States these "are legal tender for all debts, public and private, except where otherwise expressly stipulated in the contract." On October 1, 1909, there were outstanding $4,071,000 of these.

Treasury Stock. Stock which a corporation has the right, under certain conditions, to sell, but which, pending the fulfilling of the conditions or the desire on the part of a corporation to sell the same in compliance with conditions, is held in the treasury of the company as "treasury stock"; stock authorized and issued, but not yet sold.

Trial Balance. Taking a "trial balance" of a ledger is the method used to prove the mathematical correctness of the "posting" in the ledger.

Trial of the Pyx. The English coinage laws provide for the setting apart, from time to time, of specimen coins in order to ascertain whether or not the laws regulating the weight and fineness of the coins are being complied with. Once a year the coins so collected are tested by weight and assay before a jury summoned from the "mystery of goldsmiths of the City of London or other competent persons." As the coins are chosen so as to represent fairly all the coinage of the period since the last test, the trial amounts to a public attestation of the coin as to its standard of purity.[1] The box or chest in which the specimen coins are placed awaiting the trial is the "pyx."

Triangular Operation. A method, to use an example, by which London pays its debts to Paris through the medium of New York. Really being a shifting of London to our shoulders of the duty of meeting the demands of Paris.

Trimountain. Trimountain Mining Co. (Copper.)

Trinity. Trinity Copper Co.

Trolley. A nickname for Brooklyn Rapid Transit Co.

Trolley Securities. See "Electric Railway Securities."

True Discount. "True discount" differs from "bank discount," the former being the sum of money, which, if invested at the same rate at which the note or obligation is discounted, would amount to the "bank discount" rate at the time the obligation matures; in other words, allowance is made for the investment of the interest, deducted or paid in advance, for the time of the obligation. Example: The "bank discount" on a note of $10,000 for six months at 5% is, say, $250. The "true discount" would be the sum of money which added to the interest on itself for six months at 5%, would equal $250.

The rule for figuring "true discount" is to multiply the face sum of the note by the discount rate per annum and divide the result by 100 plus the rate. This result is for a year, by the aid of which any lesser time may be ascertained.

Trunk Lines. As commonly understood, the lines of railway connecting the Atlantic Seaboard and the Central West.

[1] See "The Coinage Act, 1870," 33 Victoria, Chapter 10.

Trust. There are two meanings commonly attached to the use of this term: the "trust" as popularly known, and the "legal trust," so-called. In its popular sense, it means a combination of competing industries or businesses for the purpose of monopolistic control, as was, for instance, the Sugar Trust, in its early days, when it was simply the combination of many of the principal refineries for this purpose.

Its legal sense is better explained by an illustration than by any process of definition. From 1881 to 1887 many of the whiskey distillers had pooled their interests for the purpose of maintaining prices in about the same way as the sugar refineries already referred to, and this was, also, a trust in the popular sense. But in the spring of 1887 it was deemed advisable to form a "legal trust," and the stocks of the individual distilleries, seeing fit to enter the combination, were exchanged for certificates of the newly formed Distillers' and Cattle Feeders' Trust, commonly known as the "Whiskey Trust." This was managed by trustees, who placed a manager over each distillery, and those not found profitable were immediately discontinued. This is a typical illustration of a "legal trust," namely: "A combination of competing concerns effected through the exchange of the stocks of the constituent companies for certificates of ownership issued by trustees who manage the enterprise."[1] Or, to put it differently: "An organization managed by a board of trustees to whom all the capital stock of the constituent companies is irrevocably assigned; in other words, the original shareholders accept the trustees' certificates in lieu of former evidence of ownership."

A generally accepted reason for the creation of a "trust" is to control output and prices for monopolistic purposes. "The replacement of independent enterprises already conducted on a large scale by a single centralized management."

Professor Ripley, in his very able book — "Trusts, Pools, and Corporations" — treats upon this subject most completely, the following extracts being from that work:

"The vast majority of writers recognize that the Trusts generally attempt to secure a monopoly and actually possess monopolistic features. . . . It is clear, furthermore, that the meaning attached to the term is such a degree of control over the supply of a commodity as enables the person or persons possessing it to control the price, and fix charges at something more than the normal competitive rate. In order to be complete, the monopoly must be able to maintain prices at the point of highest net returns.

". . . If the tendency towards combination means any-

[1] Prof. Wm. Z. Ripley, Harvard University.

thing, it means the substitution of centralized and consolidated management for the rivalry of independent concerns; and this may fairly be termed monopoly . . . " or that Trusts represent ' a vast accumulation of productive resources which renders the competition of small concerns hopeless.'

" Professor Bemis looks upon a trust as ' virtually a monopoly of large capital,' possessing ' vast possibilities of social advantage; ' but thinks that we cannot pronounce a final judgment ' until we have first removed all special privileges.' "

William J. Bryan defines a " trust " as " any corporation which controls so much of the product of any article that it can fix the terms and conditions of sale." [1]

Refer also to " Trust Estate," and " Real Estate Trust."

Trust Certificates. See " Stock Trust Certificates."

Trust Company. A corporation chartered under State laws and not amenable to Government control, as in the case of national banks. Trust companies, however, do very much the same business as national banks as regards receiving business deposits, that is, deposits subject to check, but also may receive on storage, or otherwise, securities, money, jewelry, valuable papers, and documents, and property of any kind upon such terms as may be agreed upon, making a charge for the same; may collect and disburse interest or income, if any, upon principal received on deposit, and collect and disburse the principal investments when they become due, and, in general, act as " trustee " for the handling of funds for minors, incompetents, or trusts in general. Trust companies also deal in securities, and receive money upon which interest is allowed, in much the same way as savings banks.

Trust companies, therefore, may fulfil the functions of all other kinds of banking institutions, with the exception of issuing bank bills, as in the case of national banks. In the words of Secretary Shaw, " they are permitted by law to engage in well-nigh every kind of legitimate business appropriate to private citizens or corporations."

These companies have very generally adopted the rule of allowing interest at a low rate, say two or three per cent., on deposits subject to check. It is, perhaps, this fact, as well as the wide scope of their business, which has caused such enormous increase in the resources of trust companies in recent years. These institutions enjoy another advantage not open to national banks in possessing the right to establish branches. It is a growing custom for trust companies to locate branches in different parts of a city. Particularly, by this means, do they reach the woman depositor in the shopping district.

Although the first trust company for the care of trust funds

[1] *The Outlook*, Sept. 8, 1906.

was established in New York as far back as 1822, yet there was no very broad field covered by such institutions until comparatively recent years, for no such company existed in Boston prior to 1871.

One reason why it is becoming more customary to appoint a trust company as executor, trustee, guardian, or administrator, is that such a company is looked upon as a permanent institution, and, therefore, not subject to the annoyances or confusions which might arise from death, incapacity, or unwillingness to serve on the part of one or more individuals. One of the great functions performed by these companies is acting as trustee for railroad and other mortgages, as agent for registering and transferring shares of stock, and fiscal agents, in general, for corporations and municipalities.

Trust Company Account. See "Bank Account."

Trust Company Receipts. When a corporation is undergoing re-organization, or when, for any purpose, the deposit of outstanding securities is asked for, a trust company may act as custodian for the same, and issue its receipts which may be traded in upon the stock exchange or used in the form of any other negotiable instrument, as, for all practical purposes, they represent the original securities.

Trust Deed. The written or printed instrument which conveys the title of property to some party to be held in trust for others; the instrument which provides for the duties of a trustee of a mortgage, and sets forth the rights of the borrower and the lender.

The law finds other uses for "trust deed" than the above, but in investment matters the definition here is what is understood.

Trustee. Used most commonly in reference to an individual, banking house, bank, trust company, etc., acting as "trustee" of a mortgage. When a corporation desires to borrow money by the issuing of bonds there must be some party to act in the common interest of both the lender and the borrower. Trust companies are becoming the most common class of "trustees," and buyers of bonds, nowadays, prefer to have some such institution act as "trustee" of the mortgage securing an issue. The majority of trust companies investigate quite carefully all legal documents in relation to the bonds to be issued; that is, they often investigate the legality of the franchises; ascertain that the mortgage covers the property which it purports to mortgage, and is properly drawn; and that all other legal requirements are duly complied with. They then certify the regularity of the issue and each bond bears the trust company's certificate in some form, which indicates that the bond has been issued under its authority acting as "trustee."

Should a default in either interest or principal occur, or the promises of the corporation borrowing money not be fulfilled, then, under certain conditions, it is the "trustee's" duty to enforce these promises or take possession of the property and act for the benefit of the bondholders, in accordance with the terms of the trust deed.

One who has the legal custody of money or property (holds it in trust) for others is a "trustee."

Trust Estate. An estate whose legal possession and benefits are vested in one or more persons, the actual possession and management of it, however, being intrusted to another party or parties — sometimes called "trustee," or "trustees."

Trust Funds. Money which, under specific conditions, is placed in the hands of an individual, several individuals, trust company, etc., to be cared for and managed accordingly.

Investments by a trustee should be made with great care. It may be said that securities legal for investment by both New York and Massachusetts Savings Banks are suitable for trust funds.

Trust Receipt. A receipt given by an importing house to a banking house on account of goods imported but against which the "bill of exchange" has not matured and so has not been paid. This gives the importing house the possession, but not the title to the goods. Some receipts provide for a storage of the goods in a warehouse, under a "warehouse receipt."

Turn. "A profitable turn;" a profitable and finished transaction. A "turn" is the selling of a security (or anything) after its purchase, or a purchase to make good a contract to deliver. (See "Short Covering.")

Turned Down. Declined to buy; declined to avail oneself of the privilege. Suppose a banking house buys an issue of bonds subject to the usual conditions of investigation, and, upon making its investigation, finds facts not as represented, it ends negotiations, and declines to purchase the issue. In bankers' parlance they are said to have "turned down the issue."

Turned Over. To sell; dispose of. "Turned over their stocks at a profit;" sold them at a profit.

Turn in the Market. A change in the trend of prices.

Twenty-Cent Piece. A silver coin of the United States minted only to the extent of $271,000. This piece of money was found to be unpopular, being near the quarter-dollar in size and liable to be passed as such. Its coinage was discontinued by the Act of May 2, 1878. Legal tender to the extent of $10 in any one payment.

Twenty-five Cent Silver Piece. The United States "quarter-dollar," containing 86.805 grains of fine silver and 9.645 grains of alloy. These are "legal tender" in amounts not to exceed $10 in any one payment.

Twisting the Shorts. (First read "Selling Short.") When the "short" selling has been overdone, prices may be suddenly advanced by artificial methods, compelling those "short" to make settlements of their contracts at a considerable loss.

Two-Dollar Man (or Broker). A great many stock brokers, although owning stock exchange seats, may wish to employ others to buy or sell securities for them, and, consequently, employ brokers to act in their stead, to whom they pay a reduced commission amounting, usually, to $2 per one hundred shares.[1] There are exceptions to this rate, however, for the commission is less for stocks selling below certain fixed prices. Brokers acting in such capacity for others are known as "two-dollar men." Brokers acting one for the other as above must be members of the same exchange.

Two Months' Bills. Read what is given under "Three Months' Bills," to apply here with the difference in time.

Two-Name Paper. A note for which two parties are each responsible for payment; a note bearing two signatures, or one signature and one indorsement (also called "indorsed paper"), whereby, in either case, each is responsible for its payment.

Two Pence. A silver coin of Great Britain, equal in value to about four cents United States money.

Tx. Taxes.

U

U. G. I. The United Gas Improvement Co.

U. K. The United Kingdom, *i. e.* Great Britain and Ireland.

UN. The "ticker" abbreviation for "unified."

Unassented. "Unassented" securities are those the owners of which have not agreed to some change in their status.

Uncovered Money (or Paper). Paper money behind which there is no stock of metallic money or anything to redeem or secure it.

Under. This is a term used in Great Britain and means 1-32 of 1% less or below a price. To illustrate, "under $\frac{1}{8}$" would equal 3-32.

Underlie. "Underlying mortgage." This is almost self-

[1] The commission has been increased to $2.50.

explained by the literal dictionary definition of the word "underlie." An "underlying mortgage" takes precedence over some other mortgage covering the same property. It may be a first mortgage, and is usually so considered; but all mortgages on a property which have precedence over any other mortgage "underlie" the latter.

Underlying Mortgage. See "Underlie."

Under the Rule. The meaning of this term may be best explained by using this rule of the New York Stock Exchange as an example: "When the insolvency of a member or firm is announced to the Exchange, members having contracts subject to the rules of the Exchange with the member or firm, shall without unnecessary delay proceed to close the same. If the contracts involve securities admitted to quotation upon the Exchange the closing must be in the Exchange, either officially by the chairman, or by personal purchase or sale. If the contracts involve securities not dealt in on the Exchange, the purchase or sale of such securities must be promptly made in the best available market. Should a contract not be closed, as above provided, the price of settlement shall be fixed by the price current at the time when such contract should have been closed under this rule."

Although the rules of other exchanges may vary somewhat from the above, the intent is substantially the same.

Securities bought or sold as above are frequently quoted upon the "tape" accompanied by the letters "U. R."

Undertone. "The undertone of the market was weak," meaning that there was an underlying weakness prevailing; a tendency towards a decline in prices.

Underwriter. See "Underwriting."

Underwriters' Agreement. An agreement by which members of an "underwriting syndicate" are bound. (See Underwriting" and "Syndicate.")

Underwriting.[1] A method of guaranteeing the sale of an issue of securities. Let us take this to illustrate:

A banking house is to offer at par and interest bonds amounting in par value to $100,000,000. An "underwriting syndicate" is formed composed of certain individuals or corporations — with some one among them selected as the "syndicate manager" — who agree that when the public offering of these bonds is made, that portion which is not sold, they — the "underwriters" — will buy at 95c. on the dollar; that is, the "underwriting syndicate" guarantees the sale

[1] Theoretically an underwriting is the guaranteeing the sale of a security issue by a corporation to its stockholders; but by common use the word has come to embrace all purchases of securities at wholesale and sales of them at retail.

of the bonds at 95. On all bonds which are sold, therefore, they make 5%, and, if the entire $100,000,000 are disposed of, the "underwriting syndicate" will make a profit of $5,000,000. The "underwriting syndicate" must take the unsold portion at the rate of 95. The banker forming the syndicate protects himself by providing for the sale of the issue whether the public takes it or not; that is, he insures himself against a sudden unfavourable change in the market, and, for such insurance, is willing to give a proportion of his own profit, which is the "underwriter's" share.

These syndicates are sometimes formed so that each member takes and pays for his proportion of the securities in advance of the public sale, so that as the securities are sold he delivers his proportion, and, if all are sold, he profits accordingly; if not, he is left with his share to do with as he sees fit, but under conditions generally regulated in the "underwriters' agreement" (see that subject; also "Syndicate").

Underwriting Syndicate. See "Underwriting."

Undesignated City. Cities in which "country banks" (to which refer) are located. Cities not designated as "central reserve" or "reserve" cities.

Undigested Securities. Securities that have been issued and sold to bankers, underwriters (see "Underwriters"), etc., who had expected to again sell them to investors, or the "public," so-called. The public, owing to unfavourable market conditions unforeseen, or for other reasons, not having taken these securities, has not absorbed or "digested" them, and they remain in the hands of the bankers and underwriters "undigested," where they are likely to remain until market conditions improve sufficiently to permit of their absorption.[1]

Undivided Profits. Earnings or profits which have not been divided among the partners in a firm or the stockholders in a corporation. The difference between "surplus" and "undivided profits" is merely a bookkeeping one; the latter account on the books of any business, if it does not seem probable that these profits will in the near future be divided, may all, or in part, be transferred to a "surplus account." (See "Dividend.")

Uneven Market. Many variations in prices; first up and then down; such variations at times may be large.

Unfunded. Indebtedness not funded; "floating debt."

Unification. At the time when the president of the New York Central & Hudson River R. R. Co. took the presidency of the "Big Four R. R.," so-called, and the Michigan Central

[1] The decline in security values in 1903 was largely due to undigested securities following the era of consolidations, — 1899–1901.

R. R., both of which companies had previously been in control of the New York Central, the newspapers reported that the latter had "unified" its interests, meaning that by the presidency of the different roads being in the hands of one man there would be a more uniform system of management.

Of course, the meaning is to simplify, make alike. Sometimes a mortgage on a corporate property is called a "unified mortgage," meaning that where there had been several mortgages outstanding before, and of different kinds, that these various mortgages had been, or would be paid off, and one common mortgage issued to take their places, called a "unified mortgage." "Consolidated Mortgage" has the same meaning.

Unified (or Unified Mortgage). See "Unification."

Union Pacific Interests. By its Annual Report, for the year ending June 30th, 1916, Union Pacific Railroad Co. stock holdings were exhibited in the following:

Baltimore & Ohio R. R. Co.
Chicago & Alton R. R. Co.
Chicago, Milwaukee & St. Paul Ry. Co.
Chicago & Northwestern Ry. Co.
Illinois Central R. R. Co.
New York Central & Hudson River R. R. Co.
Railroad Securities Co.

This list does not include the railroads actually under the direct management of the Union Pacific Railroad Co., such as the

Oregon Short Line R. R. Co.
Oregon-Washington Railroad & Navigation Co.
Hastings & Northwestern R. R. Co.
Des Chutes R. R. Co., etc.

In addition to the foregoing, there are holdings of bonds and notes in railroad, coal, steamship companies, etc., aggregating $72,412,744.

United Metal Selling Co. The selling agency for the Anaconda Copper Mining Co.

United States Bank. See "First United States Bank" and "Second United States Bank."

United States Bonds. See "Government Bonds."

United States Depository. The Secretary of the Treasury is authorized to appoint any national bank as a "depository" for the moneys of the United States Government. This is a method which the Government adopts in order that a portion, at least, of the large sums of money which it often accumulates may get into use. It is conceivable that the Government receipts might be so large that an enormous amount of money could go into its hands and thus out of circulation, making such a contraction that there would be a scarcity of money for actual use, and it is to prevent such contingencies to even a small degree that this plan has been adopted.

The Government does employ national banks as depositories for other reasons than the above. It has what are called "permanent depositories," in localities where the principal offices of internal revenue collectors are located, or where sales of public lands occur, for the purpose of receiving the proceeds of such collections or sales; also "special depositories" in which post-office money-orders and United States Court funds are kept.

Any bank accepting the appointment, as above, must give satisfactory security by the deposit with the Treasury Department of United States Government bonds and otherwise.

The Secretary of the Treasury at one time construed the law as permitting him, at his discretion, to accept other than Government bonds, which may, in his judgment, furnish sufficient security. There is an impression among many leading financiers that this is a bad precedent, and might, sometime, lead to an abuse of the privilege.[1]

United States Deposits. See "United States Depository."

United States Government Bonds. See "Government Bonds."

United States Notes. During the Civil War, the United States forced a certain amount of paper currency into circulation, known as "greenbacks" or "United States notes." They are legal tender for all debts, public and private, except duties on imports and interest on the public debt, but this latter restriction amounts to little at the present time, because, upon presentation of any of these notes, the United States Treasury redeems them in gold coin, which coin itself may be used as legal tender for purposes prohibited to "greenbacks."

United States Public Debt. One is apt to think that the debt of the Government is its outstanding bonds, but this is incorrect, for paper money of all kinds, even although not interest bearing, is figured into the debt statement. Deductions, however, are made for gold held in the Treasury for the

[1] The Secretary obtained his authority from §5153 of the Revised Statutes of the United States, reading in part as follows: "The Secretary of the Treasury shall require the associations thus designated to give satisfactory security, by the deposit of United States bonds and otherwise, for the safe-keeping and prompt payment of the public money deposited with them, and for the faithful performance of their duties as financial agents of the Government."

redemption of outstanding gold certificates; standard silver dollars held for the redemption of outstanding silver certificates and Treasury notes of 1890; other cash assets held in the Treasury; and for gold coin and gold certificates held by Federal Reserve Banks and Federal Reserve Agents against issues of Federal Reserve notes.

United States Smelting. United States Smelting, Refining and Mining Co., formerly the United States Mining Co.

Unit of Account. The "unit of value," as our gold dollar, may not necessarily be coined, but the "unit of account" is the selected unit which itself, and multiples of which, are actually coined. This was the case with our gold dollar before we ceased to coin gold in that denomination, for, on April 2, 1792, Congress established it as the "unit of the money of account" for this country.

Unit of Value. The gold dollar is the "unit of value" in this country, and must be of a certain "weight and fineness" (25.8 grains of gold, .900 fine) and by it all values are measured. This is to our money system what the pound is to our system of weights. In like manner the "pound sterling," the "lira," the "yen," etc., are the units of value — or monetary units — of Great Britain, Italy, and Japan respectively. (See "Standard.") Trenholm, in "The People's Money," defines a "unit of value" or "monetary unit" as "a definite weight of a particular metal of a certain fineness, established by law, to be the actual substantive value designated by the term which is the denominational unit of the money system of the country."

Unload. To sell, dispose of, get rid of. A finer meaning is to dispose of certain securities in season to prevent disaster; *i.e.* to sell an undesirable stock before it declines, in which event, it is sometimes said that the person who "unloaded" succeeded in "getting ashore." This is a bit of slang which suggests a person getting ashore from a sinking boat in season to prevent drowning.

Unsecured Creditor. One who has no legal claim upon certain specified property for the satisfaction of his debt; one who must accept the same basis of settlement as all others, having no security, in the adjustment of the debts of an insolvent or bankrupt.

Unsteady Market. Many variations in prices.

Upset Price. A fixed price less than which a security, property, or whatever it may be, will not be sold. For example: During the Cleveland administration, at the time when there was an issue of Government bonds offered for sale, a price was set less than which no bid would be received;

it was permissible to bid as much above the fixed price as the bidder saw fit, but it would avail him nothing to bid at a less price than the " upset price," so-called.

UR. The " ticker " abbreviation for " under the rule."

Usance. This is really " grace," as applied to " bills of exchange; " the time allowed in which bills of exchange may be paid. This varies, by custom, in different parts of the world.

Use and Occupancy Insurance. This insurance guarantees to the assured the use of the manufacturing buildings and machinery of the insured plant in so far as such use may be interfered with by damage by fire or sprinkler leakage for which the insurance companies are liable under the fire policy. This is a " valued policy " (see that subject) and agrees to pay to the assured a stipulated amount of money for the entire or partial interruption in the use of the buildings or machinery, or both, as measured by the product. This insurance extends over one year of 300 working days, to be applied pro rata, both as to duration and proportion of interruption.

Usury. See " Legal Rate of Interest," and also second paragraph under " Demand Loan."

Utah. Utah Consolidated Mining Co. (Gold, silver, and copper.)

V

Valuation. See " Assessed Valuation."

Valued Policy. A form of fire insurance policy under which the insured can recover the full face of his policy in case of total loss, regardless of the value of the property insured. This makes it incumbent upon the company not to insure to a greater value than the property covered, for whatever the amount of insurance is accepted under the " valued policy " cannot be afterwards disputed on the basis of the property having been over-insured. In New Hampshire, this form of policy is obligatory; in other States it is illegal, the reason for which is to guard against any collusion between the agent and the insured, it being desired to prevent the insured obtaining a greater insurance than the value of his property, thus encouraging incendiarism. (See " Use and Occupancy Insurance.")

Value Received. The giving an equivalent in value to the obligation. Formerly there was considerable controversy whether or not, in a bill of exchange or promissory note, it was essential to its validity that " value received " should be expressed, and there were old cases which decided in the affirmative. In most States this is not the law at the present time, it being well settled to-day that the words are not necessary, for "value" is implied in every bill, note, acceptance, and indorsement. There is an exception in the case of Missouri, however, where the words "value received" are essential to the negotiability of a promissory note. In Pennsylvania, it has long been customary to use the words "without defalcation" in the place of "value received," but the words are non-essential.

The statutes of the State of Michigan declare that: "Every negotiable instrument is deemed prima facie to have been issued for valuable consideration; and every person whose signature appears thereon to have become a party thereto for value." [1]

Vanderbilt Interests. Those railway companies in which the well-known Vanderbilt family in New York, and other persons associated with them, own either direct control, or control through other companies; and those railway companies in which their direct or indirect ownership is great enough to influence its management, and lines leased to any of the foregoing. Such railway companies, for instance, as the New York Central & Hudson River, Michigan Central, the Cleveland, Cincinnati, Chicago & St. Louis, the Lake Shore & Michigan Southern, the Canada Southern, the Lake Erie & Western, the New York, Chicago & St. Louis, the Boston & Albany, the Rutland, the Cincinnati Northern, the Peoria & Eastern, the Pittsburg & Lake Erie, etc., a list too long to give here.

Velvet. Profit; a "bonus." If a man buys 100 shares of stock for $10,000, and later sells 75 shares at such an advance in price that his original $10,000, plus commission, etc., is returned to him; the 25 shares left standing him nothing, these shares may be called "velvet."

Vendor's Shares (of Stock). Shares issued to one who sells property to a company, and in entire or part payment for the same. An English term and custom.

Victoria. Victoria Copper Mining Co.

Virginia Debt Certificates. See "Brown Brothers' Virginia Deferred Certificates."

Visible Supply. This term is generally used in reference to grain, cotton, or agricultural products, meaning the amount on storage in the large centres and what is in transit.

Voluntary Association. An example of the use of such an association as the above is that of the Massachusetts Electric Companies, a "voluntary association" managed by a board of

[1] Act 265, P. A. 1905.

trustees, who hold the title to its assets, consisting of the majority and, in most cases, practically all of the stock of certain street railway and lighting companies. These companies were already in existence and their capitalization fixed, so far as the property owned was concerned, when this association was formed. By the " voluntary association " plan, shares and notes may be issued at the pleasure of the association, they being secured by the stock of the constituent companies bought and deposited with the board of trustees. This amounts to a virtual consolidation of the several properties, and allows of a greater capital stock and indebtedness than permissible to the companies direct. The " voluntary association " is unknown to the law, but the subsidiary companies are not, and their integrity is preserved. Each company is amenable to the law and recognized as if the " voluntary association " did not exist.

To make this clearer, suppose a railway company is limited by law to an issue of $100,000 worth of stock. John Jones buys all, or substantially all, of this, and puts it up as collateral for a loan of some greater sum, say $200,000, than the par value of the stock. There is no legal obstacle in the way of his doing this provided he can find somebody to lend him the $200,000.

Voluntary Bankruptcy. See " Bankrupt."

Voting Trust. It is often desirable to place the voting control of the stock of a corporation in the hands of certain persons for a definite time. A " voting trust " is formed, the stockholders agreeing to delegate the voting power of their stock to certain named persons, called " voting trustees."

" These forms of control as vested in a board of trustees represent, not ownership of stock, but merely a unified voting power during a specified term of years."

Any dividends declared in the meantime go to the owners of the stock, or, more particularly, to the owners of the " Voting Trust Certificates." (See next subject.)

Voting Trust Certificates. (See " Voting Trust.") When a " voting trust " is formed it may be so arranged that each stockholder deposits his stock certificate with the " voting trustees," they issuing a negotiable receipt for the same called a " voting trust certificate."

Voting Trustees. See " Voting Trust."

Voucher. A receipted bill or any written evidence of money expended.

W

Wabash. The Wabash Railroad Co.

Waive Protest. See "Protest."

Wall Street.[1] Financial New York; meaning not only all that section where matters of finance are transacted (not literally Wall Street itself), but also the men engaged in the management of such matters. As one financial writer well puts it, "the business pulse of the nation."

Wall Street Crowd. The bankers, brokers, and moneyed men of financial New York (not literally of Wall Street itself) who mould or influence matters relating to finance and investments.

Walsh Roads. The Southern Indiana Railway Co. (successor to the Evansville & Richmond R. R. Co.), the Illinois Southern Railway Co. (part of this system was formerly the Centralia & Chester R. R. Co.), and the Chicago Southern Railway Co.

Warehouse Receipt. A written evidence issued by a warehouse company showing that certain commodities have been stored with it. Suppose that a merchant imports a quantity of wool. He is allowed to keep the same in what is called a "bonded warehouse" for a certain length of time, without paying duty; or the distiller of whiskey may store therein goods subject to internal revenue taxes for a limited time, pending the payment of the taxes upon same.

All transactions upon the Chicago Board of Trade for future delivery are based on the delivery of "warehouse (sometimes called 'elevator') receipts," covering the property stored in a regular elevator or warehouse, licensed by the State and under control of the State Public Utilities of Illinois.

All "elevator receipts" for grain must be registered by the State Grain Registrar, and all "warehouse receipts" for provisions, *i. e.* pork, lard, and ribs, must be registered by the Board of Trade Provision Registrar.

All regular grain elevators and provision warehouses are bonded to the Chicago Board of Trade for the faithful performance of their duties as prescribed by the laws of the State and rules of the Exchange.

In distinguishing between the terms "warehouse" and "elevator receipts," the former is the proper term, although the latter is often used by the trade to designate receipts covering grain on storage. Deliveries on provision contracts, however, are always designated as "warehouse receipts."

[1] The name Wall Street arose from the fact that in the 17th century, when New York was settled by the Hollanders and known as New Amsterdam, there was a stockade, or wall, built across Manhattan Island near what is now Wall Street. This was to protect the inhabitants from Indian attacks.

In speaking of receipts covering grain delivered on contracts, the terms " warehouse receipts " or " elevator receipts " are understood to mean the same thing in the Chicago market.

Warrant. State, county, city, or town. An order given by some authorized official of a municipality upon its treasurer, for payment to some person for services rendered, and which this person presents to the treasurer, who, for lack of funds on hand, is unable to meet it. The process is to take the order, or " warrant," as it is very familiarly called, and stamp on the back of it: " Presented, but not paid from lack of funds. This warrant bears interest from this date until paid at the rate of ——%." Below this is affixed the treasurer's signature. He enters the description of this " warrant " in a book, and the stamping upon the back of the " warrant " is called the " date of registration." This " warrant," if made payable " to bearer," is negotiable, the same as any piece of money; if it is made payable " to order," it becomes negotiable only by indorsement, the same as a check. If the owner of the " warrant," after it has been stamped by the treasurer, prefers not to hold it as an investment, he will probably sell it to some local bank at some price less than its full value, and the bank, in turn, will hold it, or sell it to some investor, to be held until called for redemption. It is customary for a municipality which has " warrants " outstanding to call them for payment, from time to time, as money accumulates for that purpose, and a " call " is inserted in some local paper for " warrants " of certain numbers to be presented for payment, and a certain date is named upon which interest will cease. An investor in " warrants " must provide for some way to be notified of a " call " covering his " warrants," otherwise he may lose interest.

Also used at times in the same sense as " interim certificates," to which refer.

" Dividend warrants " are orders for the payment of dividends to shareholders. In England, however, a check for the payment of dividend is termed a " dividend warrant." An " interest warrant " is a similar order for the payment of interest on a bond or like security, and thus a check for payment of the interest on a " registered bond " may be termed an " interest warrant."

In general, a " warrant," in a financial sense, is an instrument authorizing a person to receive money or its equivalent, or some security or negotiable paper. (See " Copper Warrants.")

Warranty Deed. See " Deed."

Wash Sales. One broker orders another to sell a certain quantity of stock at a fixed price, and when it is sold on the stock exchange, the first broker buys it back again. The stock does not actually change hands, but the "ticker" reports the sale and gives a false impression as to the activity of the stock, and no commission is received by the broker making the purchase. An example of a "wash" transaction would be between two stock exchange houses; the first, Smart & Co., orders Clement Bros. to sell a thousand shares of Union Pacific stock at a certain price, for which, of course, they will receive a regular commission. Smart & Co., however, buy this stock in at the time the sale is made, but as this stock had belonged to them, they receive no commission on the purchase. This sort of business is against the rules of the stock exchanges, and when discovered, the perpetrators are penalized. Had John Astor, not owning a seat on the exchange, given Smart & Co. an order to sell this stock through Clement Bros., and then again had ordered Smart & Co. to make the purchase, so that an actual commission had been paid a broker for both the buying and the selling, the transaction would have been legal, so far as the rules of the stock exchange are concerned. But for John Astor it would have been a "wash sale," as he was endeavouring to establish an apparent activity in the stock which really did not exist. Such a transaction would come under the head of "manipulation," rather than a "wash sale," because, from a stock exchange point, it would not be technically the latter.

As early as 1820 a rule was passed prohibiting such transactions upon the New York Stock Exchange.

Dos Passos' Law of Stock-brokers defines "wash sales," on the basis of judicial decisions, as "not real sales, but made by persons interested in each other, for the purpose of giving a fictitious value to the stock."

Water. See "Watered Stock."

Water Bonds. Of all the different purposes for which a municipality may borrow money, it is conceded that bonds issued for supplying the inhabitants with water are the most desirable for investment purposes. No public improvement is more necessary, besides which, the water plant is not only usually self-sustaining, but frequently earns enough to pay the interest on the "water bonds," and often something in addition.

Water Company Bonds. These must not be confused with municipal "water bonds," which are the obligation of the town or city issuing them. "Water company bonds" are the obligation of an incorporated company and secured by a mortgage on its property. Whether these are desirable or not depends upon such things as management, location, permanency of supply, amount of business, etc. The franchise should mature at a later date than the bonds; the net earnings should be, roughly, twice the interest charges; there should be a sinking fund large enough to retire, say, at the rate of one-half of the issue in forty years — this is a very movable quantity, though. And, lastly, a satisfactory contract with the municipality during the life of the bond issue itself, for supplying water for hydrant and other purposes, should exist. This contract should not be at rates so high as to be likely to encourage dissatisfaction and a desire to install other and competing plants, or to buy out the one already doing the business.

Where charters have included conditions which stipulate that the water supply shall be pure, trouble has sometimes resulted. This has occurred in cases where the municipalities have desired to purchase the water company property, a fight being waged upon the agreement for the supplying of pure water not being complied with.

Greene says, in his "Corporation Finance:" "Water and gas are modern necessaries of life, and the supplying of these necessaries, when done by private companies under a conservative plan, is a proper and safe business for the investment of money."

Watered Stock. When the face value of the stock issued is greater than the property value represented by it at the time of its issue. To illustrate: A certain amount of water may be put into a quart of pure milk, and a greater bulk of what appears to be milk will result, but the amount of food matter has not been increased by the process. No more will it increase the property value of a corporation to increase its stock, unless the same is exchanged for real value.

The exception to this may be when a corporation has accumulated a surplus over and above all debts and the face value of outstanding stock; then an additional stock issue is sometimes properly made not greater than the cash value of the surplus. Strictly speaking, this latter should be termed a "stock dividend," and is in no sense "watered stock."

Water-Power Company Bonds. See "Power Company Bonds."

Weak. The stock market is, or prices are, said to be "weak" when declining; a tendency to a fall rather than to a rise in prices.

Weather-Crop Bulletin (or Report). See "National Weather Bulletin."

Welcher. A debtor who takes advantage of the law to evade the payment of a debt, which, though not enforcible in a legal way, is considered an honourable obligation.

Westralians. Securities of West Australia, particularly mining, which are dealt in upon the London Stock Exchange.

Wheat. The usual trading unit is in contract lots of 5,000 bushels. The commission charges of the Chicago Board of Trade for the purchase, or for the sale, or for the purchase and sale, are at the rate of $7.50 per 5,000 bushels or multiples thereof, and $2.50 per 1,000 bushels or multiples thereof, in lots of less than 5,000 bushels.

For further information upon this subject see "Grain."

Wheat Pit. See "Pit."

When and as Issued. Sales of securities made prior to their being issued — especially when some doubt exists as to when and how they will be issued — are traded in with the condition attached "when and as issued."

When, as, and if Issued. The same as the preceding, with the additional condition of "if issued."

The first trading in this country in securities at the time unissued occurred in connection with a sale of United States 4% bonds in 1895.

When Issued. A sale made of a new security conditional upon an uncertain date as to its issuance. (See last two subjects.)

Whipsawed. Two losses, occasioned by making a purchase at the highest price and selling out at the lowest; or the reverse.

W. I. When issued.

Wide. "Wide from the market:" a price one or two per cent. above, or below, the prevailing price. "Wide" means far apart, or away from. A bid of 75 and a simultaneous offer of the same security at 79 would be a "wide" quotation.

Widener-Elkins Interests. Corporations in which the families of (in Philadelphia, Pa.) Peter A. B. Widener and Wm. L. Elkins have a partial or controlling interest; such as the United Gas Improvement Co., the former Metropolitan Street Railway Co. of New York, Public Service Corporation of New Jersey, Rhode Island Securities Co., and the Philadelphia Rapid Transit Co., and many street railway companies in various sections of the United States, including the States of Illinois, Ohio, Pennsylvania, New Jersey, Rhode Island, etc.

Wildcat Money. Money worth less than its face value, or worth nothing at all. Many of the notes formerly issued by our State banks were so termed. "Wildcat" is used to denote anything deceptive or unreliable, and is thus often applied otherwise than as a qualifying adjective to "money."

Will. The law usually permits every one of legal age and of sound mind to provide for the distribution of their property after death, by will, and in most of our States this applies to married women, although not formerly. Personal property may be willed away by those not of age, the laws of some States providing that male children as young as eighteen and female children as young as sixteen may draw wills for the disposition of personal property.

Witnesses are necessary to the validity of almost all wills, the number varying in different States.

The drawing of a will is a matter of great importance, and calls for exceeding care, and should always be entrusted not only to a lawyer, but to an exceedingly good lawyer.

Window Dressing. Fixing the accounts of a corporation so that they will look well in a public statement. In New York, the trust companies are compelled to make exhibits to the State authorities at stated times. A calling of loans and the selling of securities in anticipation of such a report so that the amount of cash on hand would show favourably would come under this heading.

Wind Up. Liquidate; go out of business.

Winona. Winona Copper Co.

Wiped Out. Used to denote a total loss of one's possessions, or the loss of a "margin."

Wire. The expression "to wire" has more particular reference to a message by telegraph rather than by telephone.

With Exchange. See "Payable with Exchange."

With Interest. See "Accrued Interest."

Without Interest. See "Flat," meaning the same.

Without Offset. See "Offset."

Without Recourse. Without responsibility or liability. Every one who indorses a note or check is responsible for its payment, if its original signer does not pay it. This responsibility can be avoided by the indorser prefixing the words "without recourse" to his signature.

It does not follow, however, that the instrument would always be accepted in this form. In fact, there are only certain conditions under which this may be done. To illustrate, a note broker would not wish to assume liability in case of a note made payable to him by indorsing the same, and, in such an instance, he could resort to the words "without recourse," which would be usually acceptable to the purchaser of the note, he buying upon the strength alone of the maker and previous indorsers, if any. Had the note been given to John Smith in the course of business, and John Smith, having received a direct benefit on account thereof, resold the note, the purchaser would then wish John Smith to incur all the liability of an indorser, and would not usually permit him to avoid recourse.

Wolverine. Wolverine Copper Mining Co.

Woman's Signature. Women puzzle bankers, and business men in general, by the way they often sign their names. It may not occur to them that the banker does not necessarily know that the wife of Henry E. Fisher is Jane W. Fisher. The banker may have been doing business with the husband, who may be taken ill; possibly his wife will write some communication regarding his business and will refer to "Mr. Fisher," and sign it as Jane W. Fisher. Good luck attends the banker in his efforts if he always pairs such people off in the way they belong. The best way for a woman to sign her business letters is, to continue above illustration, Jane W. Fisher, and then directly below — (Mrs. Henry E. Fisher); or the words "wife of" may be inserted between the two signatures. Of course, in all legal documents and in checks, etc., she must use her legal signature, which, in this instance, would be Jane W. Fisher. The writer has seen four different consecutive letters received from the same woman, all within a period of less than two weeks, the first one signed, we will say, Jane W. Fisher, the second one J. W. Fisher (thus being mistaken for a man), the third, Mrs. Jane W. Fisher, and the fourth, Mrs. Henry E. Fisher. This was confusing, indeed. A system of letter filing in an office may be much upset by this method, and letters incorrectly filed by some clerk and never afterwards located. Countless women sign their business communications in a way that makes it impossible to tell whether or not they are married. In all business communications the "Miss" or "Mrs." should be made apparent.

The query is often raised as to how a married woman shall legally sign:

There is no law fixing other than the surname of a woman who is married. When Mary Jane Doe becomes Mrs. Brown the law provides no rule which she must follow. It would seem more logical to use the form "Mary Jane Brown," but as a matter of convenience to indicate whom the person is — or was before marriage — "Mary Doe Brown" is better. Either method of signing is accepted. It is customary, however, when a woman, after marrying, executes papers transferring title to something which she acquired under her maiden name, to put a recital in the instrument she signs setting out the fact. For instance, in discharging a mortgage, the discharge would contain a clause substantially like this: " I, Mary Jane Brown, the holder of a certain mortgage given by Richard Rowe to me under my maiden name of Mary Jane Doe, dated January 1, 1907, and recorded, etc."

This, or something equivalent to it, is inserted in the papers for the purpose of identification.

Woolen. American Woolen Co.

Wore Off. Prices gradually declined.

Worked for Export. Indicates that a quantity of grain has been sold for export purposes. It is not necessarily understood, however, that the grain is being actually delivered by the elevators or warehouses.

Worked Off. Prices gradually declined. "The market worked off fractionally;" prices declined an eighth or a quarter per cent., for example. The fall in prices was by fractions and not whole points.

Working. See " Manipulation."

Working Capital. The money which is actually needed and used in the conduct of a business. Sometimes loosely used to describe net working capital which is the excess of quick assets over current liabilities.

Working Expenses. This is another term for " Operating Expenses."

World's Shipments. A Chicago Board of Trade term indicating weekly shipments of grain from exporting to importing countries.

Write Down. Has the same meaning as " charge down."

Write Off. This has the same meaning as " charge off."

X

X. The "ticker" abbreviation for "ex-coupon," "ex-dividend," or " ex-interest."

XC. The same as " ex-coupon."

X-d. The same as " ex-dividend."

X-i. The same as " ex-interest."

Y

Yankee Rails. The general foreign — particularly London — name for United States railway shares. As a rule, however, railway shares traded in upon the New York Stock Exchange are those referred to.

Yankees. The general foreign — especially London — name for United States securities; meaning particularly those dealt in upon the New York Stock Exchange.

Year Money. Same as "Year Note."

Year Note. A note or written agreement to pay money at the expiration of one year from its date.

Yellow Money. Gold coin.

Yen. The monetary unit of Japan, equalling $.498 United States money.

Yield. See "Net Return upon the Investment."

MISCELLANEOUS

I. The "ticker" abbreviation for "first." It is used in connection with such securities as "first mortgage bond," "first preferred stock," etc.

II. The "ticker" abbreviation for "second." It is used in connection with such securities as "second mortgage bond," "second preferred stock," etc.

III. The "ticker" abbreviation for "third." It is used in connection with such securities as "third mortgage bond," etc.

₱. The sign for "Peso," the monetary unit of the Philippine Islands, as $ is for our dollar.

1st. First mortgage.

2d. Second mortgage.

3d. Third mortgage.

$. The sign for the United States "Dollar." Since the new coinage law went into operation in Mexico, in 1905, our $ sign has been adopted as a sign for the standard Mexican "peso."

£. Sign for the English "pound sterling" as $ is for our "dollar."

£ E. "Pounds Egyptian;" the sign of the Egyptian "pound," which slightly exceeds in value the English "pound sterling," being equal to $4.943 United States money.

ADDENDA

Acceptance. As defined by the Federal Reserve Act, "a draft or bill of exchange drawn to order, having a definite maturity, and payable in dollars, in the United States, the obligation to pay which has been accepted by an acknowledgment written or stamped and signed across the face of the instrument by the party on whom it is drawn; such agreement to be to the effect that the acceptor will pay at maturity according to the tenor of such draft or bill without qualifying conditions."

Accrued Dividend Certificates. A note or "debenture" issued to preferred stockholders in settlement of arrears of accumulated dividends (see "Cumulative"). A good example is that of the Houston Oil Co., of Texas, which has issued 6% "accrued dividend certificates," representing dividends accrued and unpaid up to January 1, 1912, on its preferred stock. At the same time, new preferred stock certificates, carrying 6% dividends from January 1, 1912, were exchanged for the old preferred stock, par for par. In refinancing of this kind, it is necessary that the holder of the old preferred stock surrender the same upon the acceptance of the plan, as it is to wipe out the claim for back dividends, carried by the old stock, that it is desired to accomplish by the issuing of the new securities.

Accumulated Dividend. See "Accrued Dividend."

Accumulated Interest. See "Accrued Interest."

Actions. This is a French term for "shares."

Allotment. An English term which refers to letters issued to applicants for shares in new companies, stating the amount allotted to each applicant. "Allotment letters" are exchangeable for the certificates or bonds themselves when the latter are ready for delivery, and upon payment of all instalments then due.

Allotment Letter. See "Allotment."

Anglo-A. Used in London to designate the deferred ordinary stock of the Anglo-American Telegraph Co.

Annuity Bonds. The only example in American finance of an issue of this nature, that the writer has been able to discover, is that of the Lehigh Valley R. R. Co., which, in 1873, brought out an issue of "consolidated mortgage bonds," part of which are known as perpetual "annuity bonds," and do not mature unless interest is defaulted. The irredeemable feature explains the use in this connection of the term "Annuity."

Much of the English financing is in the form of irredeemable bonds.

Assay Office Check. (First read "Assay Office.") A check drawn by such an office upon the Treasurer of the United States, and given in payment for gold which has been deposited at and refined by the assay office.

Attach. When property is taken or held by process of law in order to satisfy a claim, it is said to have been "attached."

Attest. To sign as a witness.

Average Maturity. See last part of "Net Return upon the Investment."

Ayrshires. Used in London to designate the ordinary stock of the Glasgow & South Western Rwy.

Balance Sheet. A statement showing in condensed form the assets and liabilities, intelligently grouped, as well as the profits (excess of assets over liabilities) or losses (excess of liabilities over assets) of an undertaking, business or corporation; a condensed statement that should show the true financial condition.

To put it in more exact language, the assets are shown on one side of the account; the liabilities, capital invested, *i. e.* proprietorship, are shown on the other side of the account. The two sides should balance — equal each other by including a profit and loss account which is usually called surplus or deficit.

Basis. As used in connection with the income yield of securities it indicates the average annual percentage return upon the money invested. (See "Net Return upon the Investment.")

Bays. Used in London to designate the ordinary shares of the Hudson Bay Co.

Bear Account. (First read "Bear.") All those who are interested on the bear side of a particular security, or of the market in general.

Bearer. Anything is "payable to bearer" when ownership of it may pass from hand to hand without endorsement, such as a ten-dollar bill.

Bearer Certificates. A "bearer certificate" represents the ownership in a corporation the same as the ordinary "stock certificate" (to which subject refer), but is not made out in any specific name. It is negotiable; that is, may pass from hand to hand without endorsement, the same as a dollar bill or a coupon bond. They are often issued as an evidence of ownership in stock which, in turn, has been deposited in some trust company. A case in point is that of 200,000 shares of stock in the Philadelphia Company, which, when listed upon the official department of the Paris Bourse, were deposited in the form of ordinary stock certificates with the New York Trust Company, in that city, and against this stock were issued negotiable "bearer certificates." This was the class of security that was dealt in upon the Paris Bourse and not the real stock of the Company.

Bearer Scrip. See "Bearer Securities."

Bearer Securities. In England, any security, such as stocks, bonds, etc., which may be passed from hand to hand in the same manner as a "bearer certificate," described under that subject, is termed a "bearer security," and, in this connection, it is well to read "registered stock." The holders of "bearer securities" are not enrolled upon any list of the companies, therefore a "bearer security" is proof of ownership. Dividends are only paid on presentation of coupons — which Englishmen sometimes term "cuttings" — detached from the securities themselves. We have but few examples in America of stocks upon which dividends are collectible in this way. Perhaps the most notable was that of the Southern Pacific R. R. Co. Formerly its stock certificates carried coupons which had to be cut off and presented for collection in the same manner as interest is collected upon ordinary coupon bonds.

Bearer Shares. See "Bearer Securities."

Berthas. (See "Brightons.") The deferred ordinary stock of that company.

Berwicks. Used in London to designate the North Eastern Rwy. Consolidated.

Big Board. Used in cities where there are two or more exchanges to designate the principal one. The New York Stock Exchange, in that city, is referred to as the "Big Board" to distinguish it from either the "Consolidated Exchange" or the "Curb Exchange."

Bills Receivable. (See "Bills Payable.")

Blue Sky Laws. Laws looking to the regulation of investment dealers in the vending of securities, for the purpose of protecting investors from unscrupulous and dishonest dealers.

These laws do not attempt to prohibit unwise investments, but give State authority, through security commissions or banking superintendents, right to forbid sale within the State of securities which the officials believe would result in fraud upon investors.

The first important legislation was by Kansas and termed the "Kansas Blue Sky Law." Many other States, such as Maine, New Hampshire, Vermont, Ohio, Illinois, Michigan, etc., have enacted similar legislation.

The enforcement of these laws has been opposed by those who hold the view that it is an unjust species of paternalism and that States, in taking such action, exceeded their legal rights. But the United States Supreme Court has handed down a decision upholding the general principle that such legislation is within the police power of the several States.

Bolsa. A term used in Spain for Stock Exchange or "Bourse."

Book. See "Make a Book."

Breads. Used in London to designate the ordinary shares of the Aerated Bread Co.

Brighton A. (See "Brightons.") The deferred ordinary stock of that company.

Brightons. Used in London to designate the London, Brighton and So. Coast Rwy.

British. Used in London to designate the ordinary stock of the North British Rwy.

Broad Gauge. See "Standard Gauge."

Brums. A London term for the ordinary stock of the London & No. Western Rwy.

Bubble Act. In 1720 there was an English statute passed for the purpose of putting an end to such frauds as the "South Sea Bubble" (to which subject refer) and other illusory stock jobbing schemes.

Buying-in. See "Hammered."

Buying-In and Selling-Out Department. See "Hammered."

Buying-In Day. (First read "Deed of Transfer.") When a transfer deed is not delivered to the buyer by a certain time, his broker may proceed to buy-in the security as described under "Hammered." The one who has failed to deliver the deed must bear any loss which his neglect has occasioned. The day on which this class of "buying-in" takes place is usually the tenth day after "pay-day" (see that subject) in each "account," and is called "buying-in day."

Caleys. Used in London to designate the ordinary stock of the Caledonian Rwy.

Calicos. Used in London to designate the ordinary shares of the Calico Printers Association.

Cancelled Trade. "Matched orders" are used to manipulate the market. The process consists in giving orders to buy and to sell the same stock at the same price by which an artificial activity is given, and likewise changes in prices effected.

There is another phase in dealings of this character by which the cancellation of a transaction may be brought about. A "professional trader," who had bought 1,000 shares of any given stock, say, at 90, with the idea of closing it out during the day at a profit, might avoid a loss, even if the bid price did not advance more than 1–8 of 1%. He might accomplish this by getting the bidder to take the stock at 90, which was his purchase price, and buy direct from the original seller, and, by so doing, "match" the trade to the satisfaction of both. Thus, he would have been put to no expense whatsoever, which would have been the case had he accepted the delivery of the stock, for there would have been (if the transaction were on the New York Stock Exchange) a transfer tax to pay besides the "clearance charges," etc.

Carrying-over Contracts (or **Carryover Contracts**). First read the subject "Fortnightly Settling Days" and then "Contango." These contracts arise on account of a postponement of the delivery of securities until the next "account day."

Chartered. Used in London to designate the ordinary shares of the British South Africa Co.

Chatham Pref. (See "Chathams.") The preference stock of that company.

Chathams or Chats. Used in London to designate the ordinary stock of the London, Chatham & Dover Rwy.

Claras. A London term for the deferred stock of the Caledonian Rwy.

Committee for General Purposes. See "Official List."

Commodity Paper. As defined under the Federal Reserve Act, "a note, draft, or bill of exchange secured by warehouse terminal receipts, or shipping documents covering approved and readily marketable, non-perishable staples, insured."

Companies' Consolidation Act, 1908. If on the prospectus of an English company issue, which has been filed with the Registrar of Joint Stock Companies (see that subject), should appear, below the title of the company, the statement that it had been incorporated under the Companies' Consolidation Act, of 1908, it will be understood that the company has been brought out in accordance with the provisions of the laws of Great Britain, entitling the purchasers of its securities to the protection of the English law. Such a statement would immediately convey to the English mind that this was a home company rather than one incorporated under New Jersey, Canada or elsewhere.

Construction Mortgage. Same as "Building Mortgage." (See "Mechanic's Lien.")

Continue. (First read "Fortnightly Selling-Days" and "Contango.") When a "bargain" is carried over until the next settlement, it is said to be "continued."

Contract Note. When a member of the London Stock Exchange has executed an order for his client, the latter receives notice from his "broker" that the order has been executed by the latter's sending him what is termed a "contract note." It is dated as of the day of the transaction, gives the name and the address of the "broker," amount of the security traded in, the price, commission, registration fee and Government stamp duties on the note and "transfer deed" — if the latter is required. Besides all this, words to the effect that the transaction is subject to all the conditions, customs, etc., of the stock exchange are included, and the date is entered as to when the amount becomes payable.

After the member's signature must follow: "Member of The Stock Exchange, London."

Conversion. The changing of an issue of Government Bonds from an existing to a lower rate of interest. In England, it specifically means the reduction of the rate of interest on Government Stock.

Conversion Parity. (First read "Convertible Bonds.") If one security is convertible at par into another at 200, they are upon a "conversion parity," or equality, when selling at those respective prices. If the former is quoted at 50 and the latter at 100, they would still be upon a "conversion parity." This example, however, does not take any account of accumulated dividend or interest upon the securities, which, to get actual "conversion parity" must be considered.

Corporate Stock. Principally used to designate the long term indebtedness of the City of New York, as opposed to the short term obligations which are usually denoted "Revenue Bonds" (see that subject), running two or three years or less, and "Assessment Bonds," maturing in about ten years from date of issue.

Corporation Stock. In America, this is the ordinary term for the stock of an incorporated company, but with some exceptions. A few of our cities, such as New York and Baltimore, designate certain of their bond issues as "corporation stock." In Great Britain, they refer to their municipal bond issues in the same manner.

Cotton Belt Road (or Route). St. Louis Southwestern Rwy. Co.

Cottons. Used in London to designate the ordinary shares of the English Sewing Cotton Co.

Coulisse. See footnote under "Agent de Change."

Counter Check. Issued by a bank for the convenience of a depositor having a check account therein, by which he can withdraw cash when his own check-book is not at hand. A check of this kind is for use within the bank only — that is, for the purpose of drawing cash by the depositor only — and not for the payment of bills or other obligations. The common wording of such a check is, in part:

Pay to....................Myself Only..............

Cover. The London equivalent of the American term "margin."

Crossed Order. See "Gross Trade."

Cumulative Ordinary Shares. (To understand such an issue one must first read "Cumulative.")

The American "preferred stock" or the English "preference shares" are the issues which usually carry the "cumulative" feature, and it is very unusual to find "ordinary shares" (which correspond to the American "common stock") which are "cumulative." But some of the English companies include this class. A notable example is that of Bovril Limited, which has its capital divided into the "debenture stock," 5½% "cumulative preference shares," 7% "cumulative ordinary shares" and "deferred shares." "Cumulative ordinary shares" are, to all intents and purposes, "preference shares" and might more properly correspond to the American "second preferred," as we occasionally have a company with two classes of "preferred" — divided into "first" and "second preferred," or "A" and "B preferred."

Cumulative Participating Preference Shares. (First read "Cumulative.") There is an English custom, especially in speculative enterprises, of issuing a class of "cumulative participating preference shares" which, besides being entitled to the full preferential dividend, have, also, a right to a further participation in the profits, after a certain stated amount has been paid to the holders of the "ordinary shares." Shares of this class are well guarded, for they not only carry the right to a fixed rate of dividend, prior to any declaration upon the "ordinary shares," by which, under stagnant business conditions, the latter might not obtain any dividends whatsoever, but in case of large earnings obtain a further division. Such issues are not common.

Cumulative Preference Shares. The English equivalent of the American "cumulative preferred stock." (See "Cumulative.")

Cumulative Voting. This is a system of voting by which each voter has the same number, or within one of the same number, of votes as there are offices to be filled, thus permitting him to cast them all for one candidate or distribute them as he sees fit. The Revised Statutes of the United States, in relation to national banks, provide that: "In all elections of directors and deciding all questions at meetings of shareholders, each shareholder shall be entitled to one vote on each share of stock held by him," and it is held by the Comptroller of the Currency that this does not permit of "cumulative voting." It is seldom a desirable arrangement, and usually apt to work in a disadvantageous way.

Cuttings. The English term for "coupon."

Dealer. For the London use see "Jobber."

Deed of Transfer. After the sale of a "registered" security has been effected upon the London Stock Exchange, one of the steps necessary for the final consummation of the bargain is the drawing up of a transfer deed. The broker, representing the actual owner of the security, fills out a form which varies according to the conditions exacted by the different companies whose securities are concerned. In the deed, the seller agrees, in consideration of a mentioned sum of money, to sell to the purchaser a given amount of stock or number of shares in the company mentioned. The buyer agrees to accept them, subject to the conditions on which they are owned by the seller. This document is signed and sealed by both parties, and witnessed.

By having the signature of the party to whom the stock is to be transferred included in the deed, it relieves the seller from any further liability on account of the security not being fully paid or otherwise.

The consideration mentioned may or may not represent the actual price received by the seller, because on account of the fortnightly settlement plan, in vogue in London (see "Fortnightly Settling-Days"), there may have been numerous transactions in the security between the actual holder and the ultimate buyer. The sum inserted in the deed is that paid by the final purchaser, due to the fact that the stamp duty must be assessed upon this latter amount.

Defaulter. A member of the London Stock Exchange who is unable to fulfil his engagements is termed a "defaulter" and the Rules provide that he shall be publicly so declared upon the Exchange and cease to be a member. (See "Hammered.")

Deferred Shares (or Stock). The English plan provides that dividends are only paid upon this class of stock out of earnings — if any — that remain after paying interest or dividends upon all securities having prior claim, such as "debentures," "preferred shares," "preferred ordinary stock," etc. Under the English system of capitalization, "deferred stock is the last security in a company to share in the distribution of earnings, and thus is the most speculative class.

Bewes, in his excellent work, Stock Exchange Law and Practice, says, "Deferred shares are usually, but not always, invented with the object of rewarding promoters or vendors with large profits for small subscriptions. In such a case they are sometimes called Founders' shares. They generally participate after the ordinary shareholders have received a fixed minimum dividend."

Definitive Bonds. The actual bonds for which "Temporary Receipts" (see that subject) are often given, and for which the latter are exchanged.

Demand Deposits. All deposits that are subject to withdrawal from a banking institution at any time during business hours without notice. Under the "Federal Reserve Act," however, they are defined as comprising "all deposits payable within 30 days."

Deposit Certificate. Same as "Certificate of Deposit." (See that subject.)

Development and General Mortgage. See "Development Mortgage."

Development Mortgage. Usually issued by a railroad corporation — but may be by street railways or others — for the purpose of providing funds for additions, improvements, etc. Thus, an issue may be a "junior lien" upon all or a part of the property, or may be the ordinary "general mortgage," to both of which subjects refer. A typical example of a "development and general mortgage" is that of the Southern Railway Co., which has outstanding an issue due April 1st, 1956, created for the purpose of funding certain capital obligations and divisional prior liens, and to secure the means for future additions, improvements, etc., upon the entire system. Eventually, this issue should become a first lien upon certain railroads absolutely owned, and a second lien on other portions, subject to existing divisional liens, and a general lien upon certain other portions.

Difference. To understand the London use of this term, it is necessary to clearly understand their "fortnightly settlement," to which subject refer.

The "difference" is the amount to be paid or received by the speculative operator at the time of the settlement. It represents the difference between the price at which a transaction — *i. e.* "bargain" — was entered into, or the price at which it may have been "carried over" at the last previous settlement, and the "making-up price" of the current settlement.

Discount Bank. See "Bank of Discount."

Districts. A London term for the ordinary stock of the Metropolitan District Rwy.

Ditch Bonds. In the middle and far western States, bonds are issued to procure funds for drainage purposes. They may be issued by districts territorially formed for the special purpose, or by a town, city or county. When issued by a district, they are in the nature of a "special assessment bond," that is to say, payable from taxes levied on the taxable property of the district only. These are merely another form of "drainage bonds" but must not be confused with "irrigation bonds".

Doras. Used in London to designate the deferred ordinary stock of the South Eastern Rwy.

Dover A. A London term for the deferred stock of the South Eastern Rwy.

Dovers. A London term for the ordinary stock of the South Eastern Rwy.

Drawings. When bonds to be redeemed prior to their actual maturity are drawn by lot, the number of each unredeemed bond is placed upon a separate slip of paper, and so protected from the sight of some impartial person that he may draw the required number of bonds in much the same way as the drawings in a lottery. This is referred to as "The Drawing," and, in foreign countries, where there are many outstanding issues of bonds which are not only subject to redemption in this fashion, but which include with each drawing a real lottery accompaniment, entitling the holders of a certain few numbers to premiums or bonuses, the drawings are attended by great public interest. The New Orleans "Premium Bonds" (see that subject) is the only illustration of this in America.

Dry Exchange. An English term. All sorts of expedients have been resorted to in order to outwit the "Usury" laws. For example: the lender might be allowed the use of land belonging to the borrower, for a nominal rent only; thus permitting the lender to sub-rent the same at a profit, which would, in effect, amount to an increased rate of interest on the loan.

Easterns. A London term for the ordinary stock of the Great Eastern Rwy.

Effective Circulation. This covers all money which is in actual use; the available supply.

Equivalent. See "New York Equivalent."

Estate Tax. A federal or state tax imposed upon the transfer of the net estate of any decedent. The Federal Act took effect Sept. 9, 1916. In some states it is called an Inheritance Tax.

Ex-Lake. Ex-Lake grain denotes the movement of grain from the eastern end of the Great Lakes by rail and canal, as distinguished from grain en route upon the Lakes.

Exempt. Used in several ways, such as "Exempt" — contraction of "Tax-Exempt" — having reference to investments that are non-taxable. Also "Exempt" as used in connection with an issue of bonds, such as the Burlington & Missouri River R. R. in Nebraska, Consolidated Mortgage Sinking Fund 6's. Under the terms of the Trust Deed, these bonds may be drawn for the benefit of the Sinking Fund, if they cannot be purchased in the bond market. $5,000,000 of the bonds, of certain numbers, were "Exempt" from drawing until July 1st, 1908, *i. e.* not subject to being drawn for payment until that time.

Bonds which were subject to such redemption were referred to as "Non-Exempt."

Export Bar. See "International Movement of Gold."

False Prospectus Acts. The State of New York has passed an Act, popularly known as the "False Prospectus Act," which prohibits the making or publishing of false or exaggerated statements of publications of or concerning the affairs, pecuniary condition, or property of any corporation, joint-stock association, copartnership, or individual, with the idea of giving misleading information as to the apparent value of the security or property. Massachusetts and other states have enacted similar legislation.

Federal Advisory Council. See Sec. 12, "Federal Reserve Act," at end of book.

Federal Farm Loan Banks. The operation of this system is under the control of the Federal Farm Loan Board. The board is the head of the Federal Farm Loan Bureau which is under the Treasury Department at Washington, D. C.

The following extracts are taken from circulars issued by the Treasury Department at Washington:

"The Federal Farm Loan Act provides a way of getting mortgage loans for farmers at low rates of interest, at lengths of time to suit the borrower, and on easy terms of repayment. All farmers have to do is to form themselves into national farm loan associations. The Government will do its part in helping them."

ORGANIZATION

"A national farm loan association may be organized in any community where 10 citizens owning land desire to borrow an aggregate of not less than $20,000. The land must be unencumbered or the proceeds of the loan must be used, in part, to remove any lien. Loans may be as small as $100 or as large as $10,000.

"They must first make application, in writing, for a charter to the Federal land bank of the district in which the association desires to do business. This application, called "articles of association," must be signed by all those desiring to form the association, stating specifically the name under which they desire to do business, the amount each one desires to borrow, the estimated value of the security each one offers, the territory in which the association desires to do business, how the proceeds of the loan are to be used, and other details set forth in the blank forms which are furnished.

"The articles of association having been signed, the applicants become a tentative organization and elect an agent to represent them, called a "secretary-treasurer"; they also select a committee of three, called a "loan committee." This agent will then receive, from each of the applicants, a subscription to the stock of the association they are forming equal to 5 per cent of the loan they severally desire, which is not required to be paid unless the loan is granted. That is, each borrower must subscribe for such stock to the amount of 5 per cent of his own loan and no more.

"The application for the charter having been signed, the signatures must be acknowledged before a notary public or other officer qualified to administer oaths, and then it must be forwarded by the secretary-treasurer to the Federal land bank of the district.

"Upon its receipt the bank will send its agent to examine into the representations made in the application and, if found satisfactory, a charter will be granted.

"Upon the granting of the charter, the individuals signing the application become a body corporate, which gives it the right to do the business authorized by the farm loan act, to extend its benefits to others by taking in new members from time to time, and to have succession indefinitely. New members must be applicants for loans, which may be as small as $100 or as large as $10,000."

MANAGEMENT

"After the charter is granted the applicants no longer act in their individual capacity but become merged as shareholders into a corporation, which has a separate existence created by law, under the same name which has been chosen and set forth in the original application or articles of association. This corporation will have directors and officers selected by the shareholders to do its business in accordance with the by-laws which the shareholders make for their guidance. The active executive officer of the association will be the secretary-treasurer, and his duties are set forth in section 7 of the farm loan act."

POWERS

"These associations are organized for the primary purpose of giving to each borrower the benefit of the combined credit of all its members to the extent of the capital contributed and the limited liability they each incur, and hence the associations are required to indorse every loan made to members. It is also through these associations that the borrowers will ultimately become the owners of the Federal land banks. The association decides whether any loan may be made or not by refusing the application for every loan which is considered unsafe or even doubtful. No loan can be made unless it is approved by the loan committee after examination of the land offered as security.

"The national farm loan associations are not limited as to the number of its members. After one is organized it may serve an entire neighborhood by receiving new members. Each association may obtain in loans for its members twenty times the amount of its stock in the Federal land bank, no matter how large its holdings of stock may become by the growth of the association."

LIMITATIONS

"1. No loan may be made except upon the security of first mortgages.

"2. The amount of the mortgage can not exceed one-half the appraised value of the land and 20 per cent of the permanent improvements thereon, which must be insured.

"3. The proceeds of the loan must be used for the extinguishment of preexisting indebtedness or for productive purposes, which include the purchase of live stock, fertilizers, equipment, and improvements.

"4. Every mortgage must contain an agreement to pay off the debt (principal and interest) in fixed annual or semiannual installments.

"5. The amount of each installment may be fixed by the borrower, but can not be less than sufficient to pay off the debt in 40 years, nor greater than to pay it off in 5 years.

"6. The rate of interest charged any borrower can not exceed 6 per cent per annum.

"7. The borrower can not be called upon to pay the debt except by the installments he originally fixes unless he defaults, but after five years he may pay off the whole or any portion at his option at any installment period. Under the amortization plan the term of the loan and the amount of each installment are relative; determining one fixes the other."

Federal Reserve Act. See end of book.

Federal Reserve Bank. (First read "Federal Reserve District.") In each district, an important city has been selected where the "Federal Reserve Bank" of that district is located. This bank takes the name of that city, as "Federal Reserve Bank of Chicago." (See "Federal Reserve Bank Act," at end of book, for more details. The powers of these banks are given in Secs. 13 et seq.)

Federal Reserve Board. Under the terms of the "Federal Reserve Act" (see end of book), a "Federal Reserve Board" was created, consisting of seven members, including the Secretary of the Treasury and the Comptroller of the Currency — who are members ex-officio — and five others appointed by the President of the United States, by and with the consent of the Senate. This board has very broad powers over the banking and monetary system of the nation. (See Sec. 11, "Federal Reserve Act.")

Federal Reserve District. The "Federal Reserve Act" (see end of book) provided for the selection of not less than eight nor more than twelve cities, to be known as "Federal Reserve Cities"; for the division of continental United States, exclusive of Alaska, into districts; each district to contain only one of such Federal Reserve Cities. These cities were to be apportioned with due regard to the convenience and customary course of business, and were not necessarily to be coterminous with any State or States.

There were twelve districts so set apart by the Reserve Bank Organization Committee.

These districts may be readjusted, but the number must not exceed twelve. These are the "Federal Reserve Districts," and are designated by number.

Federal Reserve Notes. Each Federal Reserve Bank shall have the power, upon deposit of government bonds with the Treasurer of the United States, to receive, in exchange therefor, circulating currency, or bank notes, under the same conditions and provisions of law as relate to the issue of circulating notes of national banks (see "National Bank Notes"). In addition, "Federal reserve notes" may be issued at the discretion of the "Federal Reserve Board" for the purpose of making advances to "Federal Reserve Banks" through the "Federal Reserve Agents" for certain purposes as set forth in Section 16 of the "Federal Reserve Act" at end of book.

FPD. The "ticker" abbreviation for "full paid."

Federal Reserve System. See "Federal Reserve Act."

Fixed Charge Stocks. An English term for their "debentures," to which refer.

Floaters. All "bearer" certificates, but more particularly certain British Government stock certificates in which the name of the owner is not inserted by the Bank of England — where it is transferred — are called "floaters." In such a case, no name denoting ownership is entered at the bank, but coupons to cover five years are furnished with the certificate, to be presented for the collection of dividends as due. So long as the certificate is left blank in this way, its ownership passes by delivery.

For Cash. One buys or sells "for cash" when doing so for actual full payment and delivery.

Forward Prices. Prices for "bar silver," or for any commodity for future delivery.

Four D Banks. A term sometimes used to designate the four great banks of Germany having "D" for the first letter of their corporate names, viz., the Deutsche Bank, the Dresdener Bank, the Direction der Disconto-Gesellschaft and the Darmstadter Bank, ordinarily known as the Bank fur Handel & Industrie.

Fractional Warrant. (First read "Rights.")

The small stockholder is often faced with the problem of not owning a sufficient number of shares to entitle him to a full share of new stock. His position was definitely settled some years ago, when the Chicago, Milwaukee & St. Paul Rwy. Co. offered its stockholders the right to subscribe to a new issue. The company, at that time, declined to issue "fractional warrants," as they were called, so that holders of a smaller number of shares than four (the number required to subscribe to one share of common stock, for instance) could not subscribe. The company was compelled, through the courts, to issue these "fractional warrants," thus giving the smallest shareholder the same proportionate privilege as that accruing to the larger. These fractional "rights" can be sold in the open market the same as full "rights," but the purchaser must secure enough more fractional "rights" so that he shall have the correct number to entitle him to subscribe to a share of stock. Most corporations have followed the practice of issuing fractional warrants since the court decision above referred to.

G. M. B. A term used only by dealers in copper, meaning "good merchantable bar (or brand)," *i. e.* standard salable copper. (See "Standard Copper.")

Give On. See "Continue" — meaning the same.

Givers. (First read "Contango.") Those — *i. e.* the "bulls" — who do not wish to pay for and accept delivery of stocks bought, and thus are willing to give the "contango" rate in order to either delay the delivery until the next "settlement," or to others to "carry" the stock for them in the meantime. (See "Takers-In.")

Goldfields. Used in London to designate the ordinary shares of the Consolidated Goldfields of South Africa.

Goods. As defined by the Federal Reserve Act, this term "shall be construed to include goods, wares, merchandise, or staple agricultural products, including live stocks."

Government Deposits. See Sec. 15, "Federal Reserve Act."

Grain Paper. Short time notes for the payment of which grain is pledged, or the plain notes of dealers in grain whose credit is sufficiently well established so that it is not necessary for them to secure their indebtedness by any of their stock in trade.

Gravel Road Bonds. Bonds bearing this title have been issued in Indiana for the purpose of defraying the cost of grading, draining, and surfacing roads with gravel. They have invariably been "special assessment bonds" (to which subject refer).

The issues are limited to 4% of the assessed value of the township. They are tax exempt when held by residents of Indiana, and may be legally purchased by Insurance Companies of that State.

Half. In London, £1,000 value in "stock" is spoken of as "one," and £500 as "half."

Hammer-Price. See "Hammered."

Havanas. Used in London to designate the ordinary stock of the United Rwys. of Havana.

Higgling of the Market. Adam Smith applied this term to operations by which the market price of an article was kept within desired bounds — prevented from either going too high or too low.

House (The). That part of the London Stock Exchange where the trading is done is called "The House."

Incontestable Policy. A life insurance policy which does not condition its payment, in case of death, upon the insured not having committed suicide.

Indeterminate Mortgage. This is more popularly termed an "open end mortgage," to which subject refer.

Indian Bazaar. An East Indian exchange or market place.

Indigo Thursday. The stock market panic of May 9, 1901, known as the "Northern Pacific corner" (more fully described under "Selling Short"). Sometimes referred to as "Blue Thursday."

Indulgence. To extend the time for the payment of an obligation.

Inflation. The advance in prices and increase in bank resources are not due to currency inflation, for on July 1, 1914, the ratio of money in circulation to the total bank resources was 13%, and on July 1, 1920, money outside of Treasury and reserve banks was only 10% of total resources of national and State banks. (See "Gold Inflation.")

Inland Bills. Drafts drawn against other points in the same State.

Inscribed Stock. The English use this term and also "registered stock," but with different meanings.

A company will issue to the original subscriber to its stock a certificate evidencing the fact that upon its books he is registered as a holder of so much stock. This piece of paper, however, does not necessarily prove title, nor constitute ownership — it is nothing more than a memorandum by which the company declares that the one named therein is a holder of the stock in question. To transfer this stock, it is necessary, upon delivery of the certificate to the buyer, for the seller to accompany it with what is known as a "deed of transfer" (see that subject), and the company will not register the new owner as a holder of the stock until this transfer deed is presented, when the original certificate will be destroyed and a new one issued in its place.

Even though this certificate, as stated above, is not considered prima facie evidence of actual title to the stock which it describes, yet companies will usually decline to make a transfer unless the certificate is produced. Therefore, its loss may occasion considerable annoyance and expense before its replacement may be brought about.

Roughly speaking, the main points between "registered" and "inscribed stock" is in the matter of transfer. The former is much like unto the American custom of transferring stock certificates, the English "deed of transfer" corresponding to the blank form with which the American stock certificate is provided upon its reverse side; whereas, to transfer "inscribed stock," its owner or legal representative must actually visit the office of the company or bank where such list is kept.

"Stock" is always "registered" or "inscribed"; whereas "shares" may be either "registered" or in the form of "bearer securities" (to which subjects refer).

Most of the dealings upon the London Stock Exchange are in "registered" rather than in "inscribed" securities.

Installment Bonds. See last paragraph of "Serial Bonds."

Interim Dividend. A dividend paid in anticipation of the final dividend of the year.

Interlocking Director. One who serves on the board of two different corporations in much the same line of business, and the competition between which may be partially or entirely destroyed on account thereof.

J. B. "Joint Bonds." See that subject.

Joint Bid. A bid bearing the signatures of two or more parties.

Joint Stock Land Bank. Congress in 1916 passed the Federal Farm Loan Act, "to provide capital for agricultural development, to create standard forms of investment, based upon farm mortgage, to equalize rates of interest upon farm loans, to furnish a market for United States bonds, etc." The banks operate under Federal Charter and government supervision and the bonds are "instrumentalities" of the Government.

The Act has been proved to be constitutional and the bonds free from all except inheritance taxes. These banks are privately controlled and the stockholders have a double liability. (See "Federal Farm Loan Banks.")

Leeds. Used in London to designate the ordinary stock of the Lancashire and Yorkshire Rwy.

Letter of Regret. (First read "Allotment.") When a banking house brings out an issue of securities, those who have made an unsuccessful application are notified upon a regular form, known as a "letter of regret," that they have not been allotted any of the issue.

Letter of Renunciation. (First read "Allotment.") This is a form attached to an "allotment letter" by which the rights of the one to whom shares have been allotted are renounced in favor of another.

Liberty Bonds. Four issues of U. S. Government bonds made to raise funds to carry on the World War (1917–1918). See "Government Bonds."

Lift Mortgage. To pay it off.

Limited Order. This will be understood by reading "Limit."

Lloyds' Bonds. An English term for an obligation which may be given for an existing debt even although the borrowing power is exhausted. It does not have any mortgage claim upon the property.

Loaning at a Premium. See "Borrowing Stock."

Loaning Flat. See "Borrowing Stock."

Lombard. See "Lombarding."

Lombard Obs. (See "Lombards.") The preference shares or obligations of that company.

Lombarding. A "Lombard" is a note broker, or a bill broker, so termed, in London. This nomenclature arose from the fact that certain Italian merchants, years ago, settled in that city on Lombard Street, and carried on the business of banking. One occasionally may read, in foreign financial news, of the "Lombarding of bills." This indicates that foreign banks, for instance, instead of discounting notes, in the usual course of business, have purchased them through note brokers, or "Lombards." In this connection, the term "Lombarding," as defining the act of purchasing such a security, might very properly be used.

"Lombardeer" and "Lombard" would have synonymous meanings.

Lombards. A London term for the ordinary stock of the Lombardo Venetian Rwy.

Lumber Paper. Short time notes for the payment of which lumber is pledged, or the plain notes of dealers in lumber whose credit is sufficiently well established so that it is not necessary for them to secure their indebtedness by any of their stock in trade.

Lumping. When a London broker buys, in one lot, more of a certain security than ordered by a customer, either for the sake of filling another order at the same time — or even for his own account — he "lumps" his orders; buys in one "lump" more than enough to fill a given order.

Make a Book. In connection with "London Stock Exchange Transactions" (first see that subject), there is a distinction, which it is well to make, viz., that jobbers do not deal with the public at all, and brokers, instead of offering stock for sale to other brokers when they get orders, or buying from another broker, must, according to the London Stock Exchange rules, put the business through a jobber. There are jobbers in the miscellaneous market, jobbers in the railway market, and also in the industrial market. There are generally three or four principal jobbers and a lot of small ones dealing in each class of security.

A jobber is a much more powerful man than a broker. In fact, on new issues, it is usually necessary to give him a little "underwriting," otherwise he will decline to "make a book," as trading in securities is termed upon the London Stock Exchange.

There are about twice as many jobbers as brokers.

Making a Price. (See third paragraph of "London Stock Exchange Transactions.") The naming of two prices by the London "jobber" — one at which he will sell and the other at which he will buy.

Making Down. When a customer in London buys through one broker, and sells through another, it may accommodate him to have the contract made directly between the brokers, rather than through the medium of the client, thus relieving the latter of any responsibility. They may "make down," as the arrangement is called, as a matter of accommodation, but the brokers are not compelled so to do.

Management Shares. Substantially the same thing as "founder's shares" (to which subject refer), but more particularly designated in this manner because of having been given to the Managing Director, Manager, or other head officials of a company.

Market Turn. The difference between the buying and selling price of a security. (See "Jobber's Turn.")

Marking a Bargain. When a transaction is made upon the London Stock Exchange, the "broker" enters it upon a slip of paper, which he signs and deposits in a box. This is not compulsory; consequently but a small proportion of the actual "bargains" appear in the stock exchange "official list," which is made up from the quotations taken from the box, but it is a protection to the "brokers," who take this precaution, in the event of any question being raised by the clients for whom they have done the business.

Marking Board. When a "bargain," as it is termed, is made upon the London Stock Exchange, the price at which it is done, is put up, or posted, upon what is known as the "marking board," after which the quotation is printed in the "official list." (See subjects in quotation.)

Maturity. At first thought, it would seem that there were nothing to be said upon this subject — that stocks have no fixed maturity and that every bond matures upon some definite date. But there are many exceptions to the above. In the first place, stocks are not necessarily irredeemable — or without maturity — many of them, particularly preferred stocks, may be redeemed by the issuing corporations; usually upon some definite notice, such as 60 or 90 days, and, customarily, at a premium, although stocks redeemable at par exist. Such callable stocks may be redeemable as a whole, or, in part, by lot.

Upon the other hand, it is not unusual for bonds to be issued in perpetuity; in fact, it is the common practice in Great Britain, in certain classes of financing, and we have one example in the United States, at least, in the case of the Lehigh Valley Railroad Co., which, in 1873, brought out an issue, part of which are known as "perpetual annuity bonds." These do not mature unless interest is defaulted. (See "Called Bonds.")

There is another condition, which is really the important one to consider under this subject, viz.: that of a bond redeemable at a premium. A great many issues are so put out, especially that portion of the issue subject to redemption before the actual maturity of the issue. Again, one occasionally encounters bonds, which, although falling due upon a fixed date, mature at a premium, say at 105. In such cases, in order to determine the income yield (see "Net Return upon the Investment"), the redemption price must be taken into consideration. With an understanding of the subject in parenthesis, just referred to, one determines this result by first finding the yield of the security based upon its maturing at par, and by the use of the ordinary tables of bond values.

The next step is to find out the present worth of the amount of premium payable to the holder at maturity, with interest compounded either at the rate of income yield, just determined, or, better still, at some fair average rate of interest, say 5%. Let us illustrate as follows:

A bond running 20 years, paying 6% interest, if sold at 112.55, pays 5%. At the maturity of the bond — 20 years hence — the holder will collect $105 for each $100 par value of the bond. The present worth of $5.00 payable 20 years from date, compounded semi-annually at 5% per annum, would be $1.86. Thus we may add this amount to the price of 112.55, given above, which would give us 114.41, and, consequently, if the bond were purchased at the latter figure, the yield would still be 5% per annum, providing the original purchaser held the bond until maturity and collected the premium. Or, upon the same basis of reasoning, the 1.86 may be deducted from the bond table price of 112.55, giving 110.69. Applying this price to the table, we find that the yield would be nearly 5.15%. For all practical purposes, therefore, a bond, as in the above example, pays the purchaser, not 5% according to the table of bond values, but about 5.15% which would be the yield at a price of $110.54.

Member Bank. Any national bank, State bank or trust company which has become a member of one of the Federal Reserve Banks created under the Federal Reserve Act (see end of book), *i. e.* joined the Federal Reserve System.

Middies. Used in London to designate the ordinary stock of the Midland Rwy.

Milks. Used in London to designate the ordinary shares of the Chicago, Milwaukee & St. Paul Rwy.

Morris Plan. This is a plan devised for the purpose of lending money for any legitimate purpose at reasonable rates to persons of moderate means, such as wage-earners, salaried employees, and professional or business men. It avoids the necessity for the assignment of salaries and calls for no chattel mortgages or pledging of pawns. Interest is charged at the uniform rate of 6% per annum and "discounted" at the time the loan is made. An additional charge at the rate of $1.00 for each $50 or fraction thereof loaned, is charged the borrower to cover the cost of investigation. Character and earning capacity is the basis upon which the money is advanced. The endorsements of two other reliable persons, who agree to make the weekly payments, if necessary, are also required.

Repayments are made at the rate of $1.00 per week for each $50 borrowed. The applicant takes out what is known as a "C Certificate" for each $50 borrowed, and when 50 weekly payments have been made, the certificate becomes fully paid. Two weeks later the note becomes due; then the certificate may be surrendered in payment for the note, or other provision made for payment, in which event the certificate may be held as an investment at 4% per annum or exchanged for what is known as a "B Certificate" paying 5% per annum.

This method of loaning money to save people of small means from the hardships of assignment of wages or visiting the pawn broker, has spread rapidly throughout many sections of the country, and has the backing of well known bankers and business men in the communities where the plan has been adopted. It is, indeed, a boon to those to whom small loans are, at times, of great necessity for tiding over extraordinary expenses on account of illness and such matters.

Name Day. Same as "Ticket-Day."

Narrow Gauge. See "Standard Gauge."

National Banking Association. Same as "National Bank."

Net Demand Deposits. For an understanding of the meaning of this term as used in the "bank statement," refer to "Net Deposits," page 272, and "Demand Deposits," in the Addenda.

Net Funded Indebtedness. As defined by the Federal Reserve Act, this term means "the legal gross indebtedness of the municipality (including the amount of any school district or other bonds which depend for their redemption upon taxes levied upon property within the municipality) less the aggregate of the following items:

"(1) The amount of outstanding bonds or other debt obligations made payable from current revenues;

"(2) The amount of outstanding bonds issued for the purpose of providing the inhabitants of a municipality with public utilities, such as waterworks, docks, electric plants, transportation facilities, etc.: Provided, That evidence is submitted showing that the income from such utilities is sufficient for maintenance, for payment of interest on such bonds, and for the accumulation of a sinking fund for their redemption;

"(3) The amount of outstanding improvement bonds, issued under laws which provide for the levying of special assessments against abutting property in amounts sufficient to insure the payment of interest on the bonds and the redemption thereof: Provided, That such bonds are direct obligations of the municipality and included in the gross indebtedness of the municipality;

(4) The total of all sinking funds accumulated for the redemption of the gross indebtedness of the municipality, except sinking funds applicable to bonds just described in (1), (2), and (3) above."

Net Time Deposits. To understand the use of this term in the "bank statement," one should read "Net Deposits," page 272, and "Time Deposits," in the Addenda.

Ni'pence. An abbreviation for ninepence. This term has been used to denote various values in money. In England, the old shilling in current use about 1561 was called a "ninepence." A silver Spanish coin, equal to about twelve and a half cents, was the ninepence of New England.

Nipper. Used to designate the Northern Pacific Rwy.

Nominal Debenture. A "debenture" (see that subject) in which the payee is named. More commonly used in England.

Nominal Stock Certificate. When, in England, the blank upon the back of a certificate of stock is filled in as described in the first part of "transfer in blank" with the name of the person to whom it is to be transferred, it becomes "nominal," so called.

Non-Exempt. See "Exempt."

Note of Dishonor. See "Notice of Dishonor."

Official List. The full title is "The Stock Exchange Daily Official List," and is the London equivalent to our "list" (to which subject refer). This is issued twice daily under the authority of the "Committee for General Purposes," of the London Stock Exchange. This committee consists of 30 members, elected by ballot each year; has extraordinary powers in the governing of the exchange, and in connection with its control of the "official list," decides as to quotations of what securities shall or shall not be included. The "official list" is directly compiled under the superintendence of the Secretary of the "Share and Loan Department."

Those who have never seen anything more imposing than the list issued by the New York Stock Exchange, upon examination of its London counterpart — containing as it does 16 closely printed pages and the names of more than 4,000 securities — will be impressed with the international scope of the trading represented. This publication sells at 6d. per copy or £4 per year, exclusive of postage.

Each week the committee publishes a list of the securities for which quotation has been requested, besides another list covering those to which quotations have been granted.

There are many conditions requisite to the granting of a quotation, but a very important one is that at least two thirds of the securities issued shall have been allotted to the public, separate from what may be held by vendors and others.

There is a weekly edition, issued under exactly the same authority and superintendence as the daily "official list," and which is entitled "The Stock Exchange Weekly Official Intelligence." This is a sort of resumé of the week's business, rather than the covering of current prices. Single copies, 1s. each; yearly subscription, exclusive of postage, £2.

Official Price. Of Copper. See "Standard Copper."

Old Woman. Used to designate the New York, Ontario & Western Rwy.

One. See "Half."

Onion Route. The Chicago & Wabash Valley R. R. Co.

Open End Mortgage. From the standpoint of limitation of the indebtedness under the mortgage, there are three generally accepted classes. The first is known as a "closed mortgage" under which no more indebtedness can be incurred. The second is an "open mortgage" under which the indebtedness may be increased; in other words, the amount authorized under the terms of the mortgage has not been reached — the opposite of a "closed mortgage." The third is the "open end mortgage" where there is no fixed limit placed upon the indebtedness; under certain conditions, imposed by the deed of trust, it may be increased at will. To illustrate: The Baltimore & Ohio Railroad has a general mortgage, which, when created, was limited to $600,000,000, but it was provided that the stockholders could, by vote, increase the amount. It is also provided that at no time shall the outstanding amount, plus all "underlying bonds," exceed three times the capital stock. It will thus be seen that there are certain conditions restricting further issues under such a mortgage as this.

Outside Bank Statement. This term is used to designate the combined reports of the State Banks and trust companies in New York State, outside of Greater New York.

Overstayed. A Stock Exchange term, indicating that a speculator, having already had chances to close out a transaction at a profit, fails to do so until the market changes to his disadvantage.

Pari Passu. Without Preference. The stock will rank "pari passu" with other stock means that neither shall have preference over the other.

Paymaster's Warrant. A written instrument issued by a paymaster for money due, entitling the holder to receive the same upon presentation at the place designated; or, if issued during a scarcity of currency, payable when money becomes more plentiful.

Perus. Used in London to designate the ordinary stock of the Peruvian Corporation.

Peter's Pence. Used, to-day, to denote any contribution freely made to the Pope. Originally, the term indicated an annual payment to the Pope of 1d. on every 30d. of property. This tax existed from very early days until the reign of Henry VIII.

Porhyries. The copper companies of which the ore is found in blanket formation and which mine chiefly with steam shovels, — includes Inspiration, Chino and Utah Copper.

Postal Savings Bonds. See "Government Bonds," page 189.

Potts. Used in London to designate the North Staffordshire deferred ordinary stock.

Prior Lien and Participating Stock. A typical example is that of the Chicago & Alton R. R. Co., which has an issue of 4% cumulative "prior lien and participating stock" which has priority for assets and also dividends up to 4% per annum, but is entitled to additional dividends equal to the same rate, if any, which may be declared upon the common stock.

Profit Sharing Notes (or Bonds, etc.). A rather uncommon security, but best explained by an illustration: In 1903, the Underground Electric Railways Co. of London issued notes secured by a deposit of stocks of its constituent companies. It was provided that in the event of the sale of any of the stocks at over 95, one half of the net profits of such sale should be set aside for the benefit of the notes then outstanding.

Protective Committee. When an enterprise becomes a losing one, and bankruptcy or reorganization is inevitable, security holders are often invited to place their interests in the control of several men who are expected to act for their protection. If another faction is apparently trying to secure the control of the property to reorganize it upon lines contrary to the welfare of a certain class or all of the security holders, a committee acting in behalf of the latter might be termed a "protective committee." Its name should indicate its purpose. Thus, there may be both a "protective" and a "reorganization committee" (see that subject) in connection with the same property and at the same time.

Provisions. This may be better understood by first reading "Board of Trade of the City of Chicago." "Provisions," on the Board of Trade, includes all packing house products, but as speculative dealing is confined to Pork, Lard and Short Ribs, those products are usually understood when "Provision" dealing is mentioned.

Reclamation Bonds. Issued for the purpose of raising funds to defray cost of draining, dyking and in other ways reclaiming land for agricultural purposes, which lands are flooded during the rainy season, when the rivers overflow their natural channels, or which are otherwise submerged all or part of the time.

Issued as "special assessment" district obligations, or by private corporations, when the land reclaimed becomes security for the bonds.

A Reclamation District is a territorial sub-division organized under State laws, similar to a "school district." It is governed by a board of Trustees, having authority to acquire property, employ engineers, adopt plans for reclamation, and incur indebtedness. The bonds are paid off from assessments levied against the land in the district.

Record a Mortgage. See last paragraph of "Mortgage."

Register a Mortgage. The same as to "record a mortgage." See last paragraph of "Mortgage."

Registered Terminal Receipt. See "Warehouse Receipt" which is the same as "Terminal Receipt."

Registrar of Joint-Stock Companies. In newspaper advertisements, in Great Britain, of a public issue of securities in which an abridged prospectus is usually given — and in the larger prospectus usually appears the statement that a copy of the latter has been filed with the Registrar of Joint-Stock Companies. This indicates that the prospectus comes under the laws of the Joint-Stock Companies' Acts (see that subject), and that those who drafted it are liable for the accuracy of its statements. When a prospectus has not been filed as above, less liability is incurred by those who are responsible for its emission than otherwise would be the case. Consequently, a prospectus which has been filed with the Registrar of Joint-Stock Companies should command more favorable attention than one in which this step has been omitted. (See also "Companies' Consolidation Act, 1908.")

Registration Tax. See "Secured Debt Tax."

Regular Lot. The regular unit of transaction upon the Stock Exchange. This will be readily understood by reading the subject "Fractional Lots."

Rehabilitation Bonds. An unusual nomenclature. An example of such an issue is that of the Calumet & South Chicago Railway Co., First Mortgage Rehabilitation 5% Bonds, which were issued under the terms of the ordinance granted to that Company by the City of Chicago, by which the Company was required to extend its line and rehabilitate its property.

It was provided that all betterments and improvements should be paid from the proceeds of the bonds.

Re-Hypothecate. To re-pledge by a broker, stocks, bonds, etc., as security for a loan, which securities had, in turn, been deposited with him by some customer as security for money advanced on account of the latter.

Release of Insurance. In taking a mortgage upon insured property, the lender should have the policy (or policies) indorsed by the company, or its agent, in such a way that in the event of loss the insurance shall be payable to the mortgagee. When the mortgage is paid off, and the insurance policy is relinquished, there should be written on it words of the following intent:—"I hereby release as mortgagee all interest in this policy," followed by the signature of the mortgagee, and date.

Replenish a Loan. To increase the collateral security.

Repurchase Agreements. Against the rules of the New York Stock Exchange. Sales must be bona fide and with no strings attached.

Roses. Used in London to designate the ordinary stock of the Buenos Aires & Rosario Rwy.

Rural Credit Associations. These associations have been organized in certain sections of the South and West for the purpose of supplying land owners and farmers with long time loans at a low rate of interest. They are not in any way connected with the Federal Farm Loan System. The following are extracts from a prospectus published by one of these associations:

"The sole business of the association is to create security, sell its bonds and loan money on farm lands at low rates on long terms. It is simply a means of standardizing farm lands in the form of collateral bonds which can be marketed in the same way as industrial and municipal bonds.

"The entire capital stock of the Association shall be invested in first mortgages on farm property at not exceeding 50% of the appraised value, or in high-class bonds; to be used as a Guaranty Fund for the bonds issued by the Association.

"The Association will limit its loans to its own shareholders; * * * Every borrower will be directly interested in the success of the Association, and will share in its profits proportionately to the amount of his investment.

"Loans will be made upon the basis of 50% of the value of the property. Each loan will be amortized, which means that it will be paid back to the Association by small annual payments, will never have to be renewed, but will continue to run until the small annual payments have cleared the farmer's debt. No renewal commissions will have to be paid, nor will the farmer have the expense of bringing down his abstract or having it examined every few years, as at present, and the farmer will be forever relieved of anxiety lest he should fail to meet the mortgage when due and lose his farm, because he can always arrange, in case of necessity in any year, to borrow the trifling amount he is called upon to pay under the amortization principle. Therefore, it is practically impossible for an honest, industrious farmer to lose his farm under the equitable and beneficent plan of the Association."

S. The "ticker" abbreviation for South, Southern, Stock or Series; and also for Seller or Shares, when accompanied by figures.

For example, BO. 110. S10 indicates that Baltimore & Ohio common stock was sold at 110, but that the seller, by giving one day's notice to the buyer, is entitled to make delivery any time within ten days. Of course the ten days is only used to illustrate, the figures would vary according to the terms of the transaction. (See also "Seller's Option.")

When the letter is used to indicate Shares, it is printed in connection with the report of a stock exchange sale upon the "tape," and appears when the amount of a stock sold and the price are so nearly alike that they may be taken for two sales. In its application, the amount of the sale will be followed by the letter S and a dot, thus: RO. 73. S. 75, meaning that 73 shares of the Common Stock of the Rio Grande Western R. R. Co., to which the letters RO refer, were sold at 75.

Seasoned Securities. Those of long standing and established value.

Secured Debt Tax. In 1911, the State of New York passed a law by which secured debts — *i. e.* bonds, debentures, collateral trust issues, etc. — could be exempted from taxation by that State or its municipalities.

Secured Notes. The plain notes of a corporation, *i. e.* having no mortgage claim upon the property, but secured by other stocks or bonds. This is merely another term for "collateral notes," or "collateral trust notes." It is customary to have the par value of the collateral security in excess of the par value of the notes secured.

Sell a Bear. The London equivalent to our term "Selling Short."

Seller 3 (or any number). See "Seller's Option."

Selling-Out. See "Hammered."

Shop (The). Where a company employs a "jobber" upon the London Stock Exchange to handle its securities, the jobber is referred to as "the shop" in such issues.

Shunting. A London Stock Exchange term, denoting an "arbitrage" business between domestic points; similar to the American custom, for instance, between Boston and New York. It is the taking advantage of the difference in current quotations upon the same security in two different markets by buying in one and selling in the other at a higher price; the difference, less certain expenses, representing the profit.

Sld. These letters printed in connection with the report of a Stock Exchange sale upon the "tape" are explained under the rulings of the New York Stock Exchange, as follows: —

When a sale is not recorded in its proper place, the price will be preceded by the abbreviation SLD., thus, RO. SLD. 75. This indicates that the transaction took place previous to others which have been reported earlier, and, therefore, is not necessarily the price of the stock at the time of its appearance upon the tape. In the example given above, it would indicate that the common stock of the Rio Grande Western R. R. Co., to which the letters RO. refer, had previously sold at 75 per share, although, in the meantime, other transactions had taken place.

Société Anonyme. This is approximately the French equivalent to an English "limited company."

Soups. Used to designate the Southern Pacific Railroad Co.

Souths. A London term for the London & So. Western Rwy.

Split Stocks. These are to be found in Great Britain, where the custom exists of dividing their "ordinary" (which corresponds to the American "common") stock into two other classes. The principle was first introduced after the panic of 1845, which was the result of an over-speculation, in railway securities.

The usual "splitting" of stock means a division into a certain amount of "preferred," bearing a fixed non-accumulative rate of dividend, and a like amount of "deferred ordinary," having a claim upon the balance of the profits. In those companies where the "splitting" is at the option of the holder, there may result three classes — the undivided "ordinary" retained by the holders who prefer the original form of capitalization, and the two classes into which the balance is divided.

There is one road, however, which has four stocks outstanding in place of the original issue.

The argument in favour of this plan is based upon the supposition that the "preferred" is a safer investment, and the other class subject to a more speculative demand, resulting in a total market price of the divided stock greater than that of the original issue. The securities are, likewise, supposed to be more salable in the divided form. It may lead to certain abuses among which would be "watered" capital. Where the par value of the divided stock does not exceed that for which it has been exchanged, there is no "water" injected into the enterprise, but if we have such an instance as that of the Midland Railway, which substituted for its "ordinary" stock "preferred" and "deferred" stocks, each equal in amount to the original issue, we have an unmistakable case of over-capitalization.

Split Tickets (or Splits). See "Ticket."

Spring Wheat States. The important ones are North and South Dakota, Minnesota, Wisconsin, Iowa and Nebraska.

Stag. The London name for a man who applies for securities of a new issue with the intention of selling out on a quick and small profit.

Stale Bull. When one who has taken the "bull" side of the market has met with disappointment, and closes out his contracts at a loss, he is called a "stale bull."

Standard Oils. The stocks of the 33 subsidiary companies into which the former Standard Oil Co. of New Jersey was divided by decree of the United States Supreme Court.

Steels. Used in London to designate the ordinary shares — common stock — of the United States Steel Corporation.

Stock Exchange Daily Official List. See "Official List."

Stock Splitting. See "Split Stocks."

Stock Transfer Tax Law. See "Taxes on Stock Transfers."

Stopped Stock. See "Stop Loss Orders."

Street Markets. After the Stock Exchange in London closes, the members resort to Throgmorton Street, where dealings are carried on in South African mining shares, and to Shorter's Court, leading off Throgmorton Street, where transactions in American shares take place. The London Stock Exchange, however, takes no cognizance of transactions of this kind. It is the more speculative securities that are bought.

and sold in this manner. Broad Street, in New York, is a street market. In fact, any curb market, doing business in the open, is a street market. (See "Curb.")

Subsidiary Coinage. Silver, copper or nickel pieces of money of less value than one dollar.

Take-In. See "Takers-In."

Takers-In. (To understand this subject, it is necessary first to read "Fortnightly Settling-Days" and "Contango.") These are the lenders of money and the ones who are prepared to "carry-over" those who do not wish to accept delivery of a security at the time of the "settlement," or "bears" who are "short" of the particular security, and, therefore, need it to fulfil their own commitments. They "take-in," or, as we say in America, "take-up" the security on behalf of another; *i. e.* "carry" it. (See "Givers.")

Temporary Certificates. Same as "Temporary Receipts."

Terminal Receipt. Same as "Warehouse Receipt." (See that subject.)

Ticket. (See "Ticket-Day.") When a sale of a "registered" or "inscribed" security is made upon the London Stock Exchange, the member who has made the purchase prepares a document, which upon "ticket-day" he delivers to the seller. This "ticket," as it is called, is passed on by the latter to the one from whom he made the purchase, and so on until it reaches the member who has the security for sale. So, finally, the ultimate seller and buyer, for all intents and purposes, come into direct contact and all intermediaries are eliminated.

The "ticket" states the amount and denomination of the security to be transferred; the name, address and description of the transferee in full; the price, the date and the name of the member to whom the "ticket" is issued.. Each intermediate seller, in succession, to whom such "ticket" shall be passed, shall endorse thereon the name of his seller.

There are many instances where the original amount sold becomes split up among two or more final purchasers, necessitating a dividing or "splitting" of the "ticket." Whoever does this, retains the original ticket, and passes on the requisite number of new tickets, carrying the name of the issuer of the former. He also bears any increased cost of transfer stamps or registration fees incurred on account thereof.

"Tickets" must be delivered before a certain fixed time, according to the nature of the security, on "ticket-day" — in the case of securities dealt in in the mining markets, "tickets" shall be passed upon the preceding day — otherwise, the buyer may be "sold out," which corresponds to the American custom of selling "under the rule." (See that subject.)

"Bearer securities" require no "tickets."

In case of English consols the "ticket" must be made out on forms supplied by the Bank of England.

Time Bargains. (First understand "For the Account.") Transactions for periods beyond the "fortnightly settling-days" are so termed in London. Bargains of this class are of a speculative nature.

Time Deposits. Under the "Federal Reserve Act," these "comprise all deposits payable after 30 days and all savings accounts and certificates of deposit which are subject to not less than 30 days' notice before payment, and all postal savings deposits."

Torrens Titles (or Law). Robert Torrens, an English Customs official, in Australia, conceived this plan which bears his name, and based his idea upon the following:

As real estate is fixed, and cannot be taken away by the purchaser, as he would a cow or other chattel, it has been the custom to transfer its title only, and by deed. Previously, however, the purchaser, or his attorney, investigates the right of the seller to transfer the title clear and free from the claims of others, or free from all encumbrances that would prevent a rightful transfer of such title.

To avoid the time and expense of the search necessary to determine this degree of rightful ownership, Torrens believed that all land could be registered and certificates of ownership transferred from one to another in much the same manner and with the same simplicity as shares of stock are used to express and transfer ownership in a corporation.

The plan was adopted in Australia, and, so far, has found favor in fourteen states in this country.

Many defects have developed, however, and, by some students, it is believed to come far from accomplishing its purpose, because, among other reasons, it is a more expensive method than the older one (by deed), and, more particularly, because the same degree of security, in being allowed to remain in peaceful possession of one's property transferred in this way, is not attained.

Tout. The vernacular of the London Stock Exchange furnishes different names for men, not members of the exchange, who introduce clients to brokers. Such a person is variously called a "runner," "remisier," or, copying the language of the race course, "tout."

Men of this class often have valuable connections with the outside public, which enables them to bring in a goodly amount of business, and an arrangement is usually entered into whereby the broker and "runner" share the gross profits and losses of the business introduced. The arrangements are somewhat fast and loose, and vary according to the circumstances.

Trade Acceptance. As defined by the Federal Reserve Act, "a bill of exchange * * * drawn to order, having a definite maturity and payable in dollars in the United States, the obligation to pay which has been accepted by an acknowledgment, written or stamped, and signed, across the face of the instrument by the company, firm, corporation, or person upon whom it is drawn; such agreement to be to the effect that the acceptor will pay at maturity, according to its tenor, such draft or bill without qualifying conditions." (See "Acceptance.")

Transfer Deed. See "Deed of Transfer."

Transfer Tax. See "Taxes on Stock Transfers."

Trunks. Used in London to designate the ordinary stock of the Grand Trunk Rwy. of Canada.

Two. The London Stock Exchange member abbreviates £2,000 in stock, as "two," £3,000, as "three," etc.

Uneven. See "Contango."

Utter. To issue; to give a check or a note is to "utter" it.

Vestas. Used in London to designate the deferred stock of the Railway Investment Co.

Victory Notes. The fifth issue of United States Government bonds to raise funds for the World War. Called notes because of their short maturity.

Waiters. Uniformed officials, who occupy positions by the various doors of the London Stock Exchange, and who call out the names of the firms whose representatives are wanted by messengers, visitors, or for telegrams, etc.

Westerns. A London term for the ordinary stock of the Great Western Rwy.

White Money. Silver coins.

Wire-Tapper. One who dishonestly and secretly connects a telegraph or telephone instrument with a public or private line for the purpose of stealing news or information of which profitable advantage may be taken.

FEDERAL RESERVE ACT AND AMENDMENTS TO SEPTEMBER 7, 1916

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the short title of this Act shall be the "Federal Reserve Act."

Wherever the word "bank" is used in this Act, the word shall be held to include State bank, banking association, and trust company, except where national banks or Federal reserve banks are specifically referred to.

The terms "national bank" and "national banking association" used in this Act shall be held to be synonymous and interchangeable. The term "member bank" shall be held to mean any national bank, State bank, or bank or trust company which has become a member of one of the reserve banks created by this Act. The term "board" shall be held to mean Federal Reserve Board; the term "district" shall be held to mean Federal reserve district; the term "reserve bank" shall be held to mean Federal reserve bank.

FEDERAL RESERVE DISTRICTS

SEC. 2. As soon as practicable, the Secy. of the Treas., the Secy. of Agriculture and the Comptroller of the Currency, acting as "The Reserve Bank Organization Committee," shall designate not less than 8 nor more than 12 cities to be known as Federal reserve cities, and shall divide the continental U. S., excluding Alaska, into Dists., each Dist. to contain only one of such Fed. Res. cities. The determination of said organization committee shall not be subject to review except by the Fed. Res. Board when organized: *Provided,* That the Dists. shall be apportioned with due regard to the convenience and customary course of business and shall not necessarily be coterminous with any State or States. The Dists. thus created may be readjusted and new Dists. may from time to time be created by the Fed. Res. Board, not to exceed 12 in all. Such Dists. shall be known as Fed. Res. Dists. and may be designated by number. A majority of the organization committee shall constitute a quorum with authority to act.

Said organization committee shall be authorized to employ counsel and expert aid, to take testimony, to send for persons and papers, to administer oaths, and to make such investigation as may be deemed necessary by the said committee in determining the reserve Dists. and in designating the cities within such Dists. where such Fed. Res. banks shall be severally located. The said committee shall supervise the organization in each of the cities designated of a Fed. Res. bank, which shall include in its title the name of the city in which it is situated, as "Federal Reserve Bank of Chicago."

Under regulations to be prescribed by the organization committee, every Nat. banking Asso. in the U. S. is hereby required, and every eligible bank in the U. S. and every Tr. Co. within the Dist. of Col., is hereby authorized to signify in writing, within 60 days after the passage of this Act, its acceptance of the terms and provisions hereof. When the organization committee shall have designated the cities in which Fed. Res. banks are to be organized, and fixed the geographical limits of the Fed. Res.

Dists., every Nat. banking Asso. within that Dist. shall be required within 30 days after notice from the organization committee, to subscribe to the capital stock of such Fed. Res. bank in a sum equal to 6% of the paid-up capital stock and surplus of such bank, $\frac{1}{6}$ of the subscription to be payable on call of the organization committee or of the Fed. Res. Board, $\frac{1}{6}$ within 3 months and $\frac{1}{6}$ within 6 months thereafter, and the remainder of the subscription, or any part thereof, shall be subject to call when deemed necessary by the Fed. Res. Board, said payments to be in gold or gold certificates.

The shareholders of every Fed. Res. bank shall be held individually responsible, equally and ratably, and not one for another, for all contracts, debts, and engagements of such bank to the extent of the amount of their subscriptions to such stock at the par value thereof in addition to the amount subscribed, whether such subscriptions have been paid up in whole or in part, under the provisions of this Act.

Any Nat. bank failing to signify its acceptance of the terms of this Act within the 60 days aforesaid, shall cease to act as a reserve agent, upon 30 days' notice, to be given within the discretion of the said organization committee or of the Fed. Res. Board.

Should any Nat. banking Asso. in the U. S. now organized fail within one year after the passage of this Act to become a member bank or fail to comply with any of the provisions of this Act applicable thereto, all of the rights, privileges, and franchises of such Asso. granted to it under the national-bank Act, or under the provisions of this Act, shall be thereby forfeited. Any noncompliance with or violation of this Act shall, however, be determined and adjudged by any court of the U. S. of competent jurisdiction in a suit brought for that purpose in the Dist. or territory in which such bank is located, under direction of the Fed. Res. Board, by the Comptroller of the Currency in his own name before the Asso. shall be declared dissolved. In cases of such noncompliance or violation, other than the failure to become a member bank under the provisions of this Act, every director who participated in or assented to the same shall be held liable in his personal or individual capacity for all damages which said bank, its shareholders, or any other person shall have sustained in consequence of such violation.

Such dissolution shall not take away or impair any remedy against such Corp., its stockholders or officers, for any liability or penalty which shall have been previously incurred.

Should the subscriptions by banks to the stock of said Fed. Res. banks or any one or more of them be, in the judgment of the organization committee, insufficient to provide the amount of capital required therefor, then and in that event the said organization committee may, under conditions and regulations to be prescribed by it, offer to public subscription at par such an amount of stock in said Fed. Res. banks, or any one or more of them, as said committee shall determine, subject to the same conditions as to payment and stock liability as provided for member banks.

No individual, copartnership, or Corp. other than a member bank of its Dist. shall be permitted to subscribe for or to hold at any time more than $25,000 par value of stock in any Fed. Res. bank. Such stock shall be known as public stock and may be transferred on the books of the Fed. Res. bank by the chairman of the board of directors of such bank.

Should the total subscriptions by banks and the public to the stock of said Fed. Res. banks, or any one or more of them, be, in the judgment of the organization committee, insufficient to provide the amount of capital required therefor, then and in that event the said organization committee shall allot to the U. S. such an amount of said stock as said committee shall determine. Said U. S. stock shall be paid for at par out of any money in the Treasury not otherwise appropriated, and shall be held by the Secy. of the Treas. and disposed of for the benefit of the U. S. in such manner, at such times, and at such price, not less than par, as the Secy. of the Treas. shall determine.

Stock not held by member banks shall not be entitled to voting power.

The Fed. Res. Board is hereby empowered to adopt and promulgate rules and regulations governing the transfers of said stock.

No Fed. Res. bank shall commence business with a subscribed capital less than $4,000,000. The organization of Res. Dists. and Fed. Res. cities shall not be construed as changing the present status of reserve cities and central reserve cities, except in so far as this Act changes the amount of reserves that may be carried with approved reserve agents located therein. The organization committee shall have power to appoint such assistants and incur such expenses in carrying out the provisions of this Act as it shall deem necessary, and such expenses shall be payable by the Treasurer of the U. S. upon voucher approved by the Secy. of the Treas., and the sum of $100,000, or so much thereof as may be necessary, is hereby appropriated, out of any moneys in the Treas. not otherwise appropriated, for the payment of such expenses.

BRANCH OFFICERS

Sec. 3. The Fed. Res. Board may permit or require any Fed. Res. bank to establish branch banks within the Fed. Res. Dist. in which it is located or within the Dist of any Fed. Res. bank which may have been suspended. Such branches, subject to such rules and regulations as the Fed. Res. Board may prescribe, shall be operated under the supervision of a board of directors to consist of not more than 7 nor less than 3 directors, of whom a majority of 1 shall be appointed by the Fed. Res. bank of the Dist., and the remaining directors by the Fed. Res. Board. Directors of branch banks shall hold office during the pleasure of the Fed. Res. Board.

FEDERAL RESERVE BANKS

Sec. 4. When the organization committee shall have established Fed. Res. Dists. as provided in Sec. 2 of this Act, a C't'f. shall be filed with the Comptroller of the Currency showing the geographical limits of such Dists. and the Fed. Res. city designated in each of such Dists. The Comptroller of the Currency shall thereupon cause to be forwarded to each Nat. bank located in each Dist., and to such other banks declared to be eligible by the organization committee which may apply therefor, an application blank in form to be approved by the organization committee, which blank shall contain a resolution to be adopted by the board of directors of each bank executing such application, authorizing a subscription to the capital stock of the Fed. Res. bank organizing in that Dist. in accordance with the provisions of this Act.

When the minimum amount of capital stock prescribed by this Act for the organization of any Fed. Res. bank shall have been subscribed and allotted, the organization committee shall designate any 5 banks of those whose applications have been received, to execute a C't'f. of organization, and thereupon the banks so designated shall, under their seals, make an organization C't'f. which shall specifically state the name of such Fed. Res. bank, the territorial extent of the Dist. over which the operations of such Fed. Res. bank are to be carried on, the city and State in which said bank is to be located, the amount of capital stock and the number of shares into which the same is divided, the name and place of doing business of each bank executing such C't'f., and of all banks which have subscribed to the capital stock of such Fed. Res. bank and the number of shares subscribed by each, and the fact that the C't'f. is made to enable those banks executing same, and all banks which have subscribed or may thereafter subscribe to the capital stock of such Fed. Res. bank, to avail themselves of the advantages of this Act.

The said organization C't'f. shall be acknowledged before a judge of some court of record or notary public; and shall be, together with the acknowledgement thereof, authenticated by the seal of such court, or notary, transmitted to the Comptroller of the Currency, who shall file, record and carefully preserve the same in his office.

Upon the filing of such C't'f. with the Comptroller of the Currency as aforesaid, the said Fed. Res. bank shall become a body corporate and as such, and in the name designated in such organization C't'f., shall have power —

1st. To adopt and use a corporate seal.

2d. To have succession for a period of 20 years from its organization unless it is sooner dissolved by an Act of Congress, or unless its franchise becomes forfeited by some violation of law.

3d. To make contracts.

4th. To sue and be sued, complain and defend, in any court of law or equity.

5th. To appoint by its board of directors, such officers and employees as are not otherwise provided for in this Act, to define their duties, require bonds of them and fix the penalty thereof, and to dismiss at pleasure such officers or employees.

6th. To prescribe by its board of directors, by-laws not inconsistent with law, regulating the manner in which its general business may be conducted, and the privileges granted to it by law may be exercised and enjoyed.

7th. To exercise by its board of directors, or duly authorized officers or agents, all powers specifically granted by the provisions of this Act, and such incidental powers as shall be necessary to carry on the business of banking within the limitations prescribed by this Act.

8th. Upon deposit with the Treas. of the U. S. of any bonds of the U. S. in the manner provided by existing law relating to Nat. banks, to receive from the Comptroller of the Currency circulating notes in blank, registered and countersigned as provided by law, equal in amount to the par value of the bonds so deposited, such notes to be issued under the same conditions and provisions of law as relate to the issue of circulating notes of Nat. banks secured by bonds of the U. S. bearing the circulating privilege, except that the issue of such notes shall not be limited to the capital stock of such Fed. Res. bank.

But no Fed. Res. bank shall transact any business except such as is incidental and necessarily preliminary to its organization until it has been authorized by the Comptroller of the Currency to commence business under the provisions of this Act.

Every Fed. Res. bank shall be conducted under the supervision and control of a board of directors.

The board of directors shall perform the duties usually appertaining to the office of directors of banking Asso. and all such duties as are prescribed by law.

Said board shall administer the affairs of said bank fairly and impartially and without discrimination in favor of or against any member bank or banks and shall, subject to the provisions of law and the orders of the Fed. Res. Board, extend to each member bank such discounts, advancements and accommodations as may be safely and reasonably made with due regard for the claims and demands of other member banks.

Such board of directors shall be selected as hereinafter specified and shall consist of 9 members, holding office for 3 years, and divided into 3 classes, designated as classes A, B, and C.

Class A shall consist of 3 members, who shall be chosen by and be representative of the stock-holding banks.

Class B shall consist of 3 members, who at the time of their election shall be actively engaged in their Dist. in commerce, agriculture or some other industrial pursuit.

Class C shall consist of 3 members who shall be designated by the Fed.

Res. Board. When the necessary subscriptions to the capital stock have been obtained for the organization of any Fed. Res. bank, the Fed. Res. Board shall appoint the class C directors and shall designate one of such directors as chairman of the board to be selected. Pending the designation of such chairman, the organization committee shall exercise the powers and duties appertaining to the office of chairman in the organization of such Fed. Res. bank.

No Senator or Representative in Congress shall be a member of the Fed. Res. Board or an officer or a director of a Fed. Res. bank.

No director of class B shall be an officer, director, or employee of any bank.

No director of class C shall be an officer, director, employee, or stockholder of any bank.

Directors of class A and class B shall be chosen in the following manner:

The chairman of the board of directors of the Fed. Res. bank of the Dist. in which the bank is situated or, pending the appointment of such chairman, the organization committee shall classify the member banks of the Dist. into 3 general groups or Divs. Each group shall contain as nearly as may be $\frac{1}{3}$ of the aggregate number of the member banks of the Dist. and shall consist, as nearly as may be, of banks of similar capitalization. The groups shall be designated by number by the chairman.

At a regularly called meeting of the board of directors of each member bank in the Dist. it shall elect by ballot a Dist. reserve elector and shall certify his name to the chairman of the board of directors of the Fed. Res. bank of the Dist. The chairman shall make lists of the Dist. Res. electors thus named by banks in each of the aforesaid 3 groups and shall transmit one list to each elector in each group.

Each member bank shall be permitted to nominate to the chairman one candidate for director of class A and one candidate for director of class B. The candidates so nominated shall be listed by the chairman, indicating by whom nominated, and a copy of said list shall, within 15 days after its completion, be furnished by the chairman to each elector.

Every elector shall, within 15 days after the receipt of the said list, certify to the chairman his 1st, 2d, and other choices of a director of class A and class B, respectively, upon a preferential ballot, on a form furnished by the chairman of the board of directors of the Fed. Res. bank of the Dist. Each elector shall make a cross opposite the name of the 1st, 2d, and other choices for a director of class A and for a director of class B, but shall not vote more than one choice for any one candidate.

Any candidate having a majority of all votes cast in the column of first choice shall be declared elected. If no candidate have a majority of all the votes in the 1st column, then there shall be added together the votes cast by the electors for such candidates in the 2d column and the votes cast for the several candidates in the 1st column. If any candidate then have a majority of the electors voting, by adding together the 1st and 2d choices, he shall be declared elected. If no candidate have a majority of electors voting when the 1st and 2d choices shall have been added, then the votes cast in the 3d column for other choices shall be added together in like manner, and the candidate then having the highest number of votes shall be declared elected. An immediate report of election shall be declared.

Class C directors shall be appointed by the Fed. Res. Board. They shall have been for at least 2 years residents of the Dist. for which they are appointed, one of whom shall be designated by said board as chairman of the board of directors of the Fed. Res. bank and as "Federal reserve agent." He shall be a person of tested banking experience; and in addition to his duties as chairman of the board of directors of the Fed. Res. bank he shall be required to maintain under regulations to be established by the Fed. Res. Board a local office of said board on the premises of the Fed. Res. bank. He shall make regular reports to the Fed. Res. Board, and shall act as its official representative for the performance of the functions conferred upon it by this Act. He shall receive an annual compensation to be fixed by the Fed. Res. Board and paid monthly by the Fed. Res. bank to which he is designated. One of the directors of class C shall be appointed by the Fed. Res. Board as deputy chairman to exercise the powers of the chairman of the board when necessary. In case of the absence of the chairman and deputy chairman, the third class C director shall preside at meetings of the board.

Subject to the approval of the Fed. Res. Board, the Fed. Res. agent shall appoint one or more assistants. Such assistants, who shall be persons of tested banking experience, shall assist the Fed. Res. agent in the performance of his duties and shall also have power to act in his name and stead during his absence or disability. The Fed. Res. Board shall require such bonds of the assistant Fed. Res. agents as it may deem necessary for the protection of the U. S. Assistants to the Fed. Res. agent shall receive an annual compensation, to be fixed and paid in the same manner as that of the Fed. Res. agent.

Directors of Fed. Res. banks shall receive, in addition to any compensation otherwise provided, a reasonable allowance for necessary expenses in attending meetings of their respective boards, which amount shall be paid by the respective Fed. Res. banks. Any compensation that may be provided by boards of directors of Fed. Res. banks for directors, officers or employees shall be subject to the approval of the Fed. Res. Board.

The Reserve Bank Organization Committee may, in organizing Fed. Res. banks, call such meetings of bank directors in the several Dists. as may be necessary to carry out the purposes of this Act, and may exercise the functions herein conferred upon the chairman of the board of directors of each Fed. Res. bank pending the complete organization of such bank.

At the first meeting of the full board of directors of each Fed. Res. bank, it shall be the duty of the directors of classes A, B and C, respectively, to designate one of the members of each class whose term of office shall expire in one year from the 1st of Jan. nearest to date of such meeting, one whose term of office shall expire at the end of 2 years from said date, and one whose term of office shall expire at the end of 3 years from said date. Thereafter every director of a Fed. Res. bank chosen as hereinbefore provided shall hold office for a term of 3 years. Vacancies that may occur in the several classes of directors of Fed. Res. banks may be filled in the manner provided for the original selection of such directors, such appointees to hold office for the unexpired terms of their predecessors.

STOCK ISSUES; INCREASE AND DECREASE OF CAPITAL

Sec. 5. The capital stock of each Fed. Res. bank shall be divided into shares of $100 each. The outstanding capital stock shall be increased from time to time as member banks increase their capital stock and surplus or as additional banks become members, and may be decreased as member banks reduce their capital stock or surplus or cease to be members. Shares of the capital stock of Fed. Res. banks owned by member banks shall not be transferred or hypothecated. When a member bank increases its capital stock or surplus, it shall thereupon subscribe for an additional amount of capital stock of the Fed. Res. bank of its Dist. equal to 6% of the said increase, ½ of said subscription to be paid in the manner hereinbefore provided for original subscription, and ½ subject to call of the Fed. Res. Board. A bank applying for stock in a Fed. Res. bank at any time after the organization thereof must subscribe for an amount of the capital stock of the Fed. Res. bank equal to 6% of the paid-up capital stock and surplus of said applicant bank paying therefor its par value plus ½% a month from the period of the last Div. When the capital stock of any Fed. Res. bank shall have been increased either on account of the increase of capital stock of member banks or on account of the increase in the number of member banks, the board of directors shall cause to be executed a C't'f. to the Comptroller of the Currency showing the increase in capital stock, the amount paid in, and by whom paid. When a member bank reduces its capital stock it shall surrender a proportionate amount of its holdings in the capital of said Fed. Res. bank, and when a member bank voluntarily liquidates it shall surrender all of its holdings of the capital stock of said Fed. Res. bank and be released from its stock subscription not previously called. In either case the shares surrendered shall be canceled and the member bank shall receive in payment therefor, under regulations to be prescribed by the Fed. Res. Board, a sum equal to its cash-paid subscriptions on the shares surrendered and ½% a month from the period of the last Div., not to exceed the book value thereof, less any liability of such member bank to the Fed. Res. bank.

Sec. 6. If any member bank shall be declared insolvent and a receiver appointed therefor, the stock held by it in said Fed. Res. bank shall be canceled, without impairment of its liability, and all cash-paid subscriptions on said stock, with ½% per month from the period of last Div., not to exceed the book value thereof, shall be first applied to all debts of the insolvent member bank to the Fed. Res. bank, and the balance, if any, shall be paid to the receiver of the insolvent bank. Whenever the capital stock of a Fed. Res. bank is reduced, either on account of a reduction in capital stock of any member bank or of the liquidation or insolvency of such bank, the board of directors shall cause to be executed a C't'f. to the Comptroller of the Currency showing such reduction of capital stock and the amount repaid to such bank.

DIVISION OF EARNINGS

Sec. 7. After all necessary expenses of a Fed. Res. bank have been paid or provided for, the stockholders shall be entitled to receive an annual Div. of 6% on the paid-in capital stock, which Div. shall be cumulative. After the aforesaid dividend claims have been fully met, all the net earnings shall be paid to the U. S. as a franchise tax, except that ½ of such net earnings shall be paid into a surplus fund until it shall amount to 40% of the paid-in capital stock of such bank.

The net earnings derived by the U. S. from Fed. Res. banks shall, in the discretion of the Secy., be used to supplement the gold reserve held against outstanding U. S. notes, or shall be applied to the reduction of the outstanding bonded debt of the U. S. under regulations to be prescribed by the Secy. of the Treas. Should a Fed. Res. bank be dissolved or go into liquidation, any surplus remaining, after the payment of all debts, Div. requirements as hereinbefore provided, and the par value of the stock, shall be paid to and become the property of the U. S. and shall be similarly applied.

Fed. Res. banks, including the capital stock and surplus therein, and the income derived therefrom shall be exempt from Federal, State, and local taxation, except taxes upon real estate.

Sec. 8. Sec. 5154, U. S. Rev. Sts., is hereby amended to read as follows:

Any bank incorporated by special law of any State or of the U. S. or organized under the general laws of any State or of the U. S. and having an unimpaired capital sufficient to entitle it to become a Nat. B'k'g. Asso. under the provisions of the existing laws may, by the vote of the shareholders owning not less than 51% of the capital stock of such bank or B'k'g. Asso., with the approval of the Comptroller of the Currency be converted into a Nat. B'k'g. Asso., with any name approved by the Comptroller of the Currency:

Provided, however, That said conversion shall not be in contravention of the State law. In such case the Arts. of Asso. and organization C't'f. may be executed by a majority of the directors of the bank or B'k'g. Inst., and the C't'f. shall declare that the owners of 51% of the capital stock have authorized the directors to make such C't'f. and to change or convert the bank or B'k'g. Inst. into a Nat. Asso. A majority of the directors, after executing the Arts. of Asso. and the organization C't'f., shall have power to execute all other papers and to do whatever may be required to make its organization perfect and complete as a Nat. Asso. The shares of any such bank may continue to be for the same amount each as they were before the conversion, and the directors may continue to be directors of the Asso. until others are elected or appointed in accordance with the provisions of the statutes of the U. S. When the Comptroller has given to such bank or B'k'g. Asso. a C't'f. that the provisions of this Act have been complied with, such bank or B'k'g. Asso., and all its stockholders, officers, and employees, shall have the same powers and privileges, and shall be subject to the same duties, liabilities, and regulations, in all respects, as shall have been prescribed by the Fed. Res. Act and by the Nat. B'k'g. Act for Assos. originally organized as national banking Assos.

STATE BANKS AS MEMBERS

Sec. 9. Any bank incorporated by special law of any State, or oganized under the general laws of any State or of the U. S., desiring to become a member of the Fed. Res. System, may make application to the Fed. Res. Board, under such rules and regulations as it may prescribe, for the right to subscribe to the stock of the Fed. Res. bank organized within the Dist. in which the applying bank is located. Such application shall be for the same amount of stock that the applying bank would be required to subscribe to as a Nat. bank. The Fed. Res. Board, subject to such conditions as it may prescribe, may permit the applying bank to become a stockholder of such Fed. Res. bank.

In acting upon such applications the Fed. Res. Board shall consider the financial condition of the applying bank, the general character of its management, and whether or not the corporate powers exercised are consistent with the purposes of this Act.

Whenever the Fed. Res. Board shall permit the applying bank to become a stockholder in the Fed. Res. bank of the Dist. its stock subscription shall be payable on call of the Fed. Res. Board, and stock issued to it shall be held subject to the provisions of this Act.

All banks admitted to membership under authority of this Sec. shall be required to comply with the reserve and capital requirements of this Act and to conform to those provisions of law imposed on Nat. banks which prohibit such banks from lending on or purchasing their own stock, which relate to the withdrawal or impairment of their capital stock, and which relate to the payment of unearned Divs. Such banks and the officers, agents, and employees thereof shall also be subject to the provisions of and to the penalties prescribed by Sec. 5209 of the Rev. Sts., and shall be required to make reports of condition and of the payment of Divs. to the Fed. Res. bank of which they become a member. Not less than 3 of such reports shall be made annually on call of the Fed. Res. bank on dates to be fixed by the Fed. Res. Board. Failure to make such reports within 10 days after the date they are called for shall subject the offending bank to a penalty of $100 a day for each day that it fails to transmit such report; such penalty to be collected by the Fed. Res. bank by suit or otherwise.

As a condition of membership such banks shall likewise be subject to examinations made by direction of the Fed. Res. Board or of the Fed. Res. bank by examiners selected or approved by the Fed. Res. Board.

Whenever the directors of the Fed. Res. bank shall approve the examinations made by the State authorities, such examinations and the reports thereof may be accepted in lieu of examinations made by examiners selected or approved by the Fed. Res. Board: *Provided, however,* That when it deems it necessary the board may order special examinations by examiners of its own selection and shall in all cases approve the form of the report. The expenses of all examinations, other than those made by State authorities, shall be assessed against and paid by the banks examined.

If at any time it shall appear to the Fed. Res. Board that a member bank has failed to comply with the provisions of this Sec. or the regulations of the Fed. Res. Board made pursuant thereto, it shall be within the power of the board after hearing to require such bank to surrender its stock in the Fed. Res. bank and to forfeit all rights and privileges of membership. The Fed. Res. Board may restore membership upon due proof of compliance with the conditions imposed by this Sec.

Any State bank or Tr. Co. desiring to withdraw from membership in a Fed. Res. bank may do so, after 6 months' written notice shall have been filed with the Fed. Res. Board, upon the surrender and cancellation of all of its holdings of capital stock in the Fed. Res. bank: *Provided, however,* That no Fed. Res. bank shall, except under express authority of the Fed. Res. Board, cancel within the same calendar year more than 25% of its capital stock for the purpose of effecting voluntary withdrawals during that year. All such applications shall be dealt with in the order in which they are filed with the board. Whenever a member bank shall surrender its stock holdings in a Fed. Res. bank, or shall be ordered to do so by the Fed. Res. Board, under authority of law, all of its rights and privileges as a member bank shall thereupon cease and determine, and after due provision has been made for any debt due or to become due to the Fed. Res. bank it shall be entitled to a refund of its cash-paid subscription with Int. at the rate of ½ of 1% per month from date of last Div., if earned, the amount refunded in no event to exceed the book value of the stock at that time, and shall likewise be entitled to repayment of deposits and of any other balance due from the Fed. Res. bank.

No applying bank shall be admitted to membership in a Fed. Res. bank unless it possesses a paid-up, unimpaired capital sufficient to entitle it to become a Nat. B'k'g. Asso. in the place where it is situated under the provisions of the Nat.-bank Act.

Banks becoming members of the Fed. Res. System under authority of this Sec. shall be subject to the provisions of this Sec. and to those of this Act which relate specifically to member banks, but shall not be subject to examination under the provisions of the first 2 paragraphs of Sec. 5240 of the Rev. Sts. as amended by Sec. 21 of this Act. Subject to the provisions of this Act and to the regulations of the board made pursuant thereto, any bank becoming a member of the Fed. Res. System shall retain its full charter and statutory rights as a State bank or Tr. Co., and may continue to exercise all corporate powers granted it by the State in which it was created, and shall be entitled to all privileges of member banks: *Provided, however,* That no Fed. Res. bank shall be permitted to discount for any State bank or Tr. Co. notes, drafts, or bills of exchange of any one borrower who is liable for borrowed money to such State bank or Tr. Co. in an amount greater than 10% of the capital and surplus of such State bank or Tr. Co., but the discount of bills of exchange drawn against actually existing value and the discount of commercial or business paper actually owned by the person negotiating the same shall not be considered as borrowed money within the meaning of this Sec. The Fed. Res. bank, as a condition of the discount of notes, drafts, and bills of exchange for such State bank or Tr. Co., shall require a C't'f. or guaranty to the effect that the borrower is not liable to such bank in excess of the amount provided by this Sec., and will not be permitted to become liable in excess of this amount while such notes, drafts, or bills of exchange are under discount with the Fed. Res. bank.

It shall be unlawful for any officer, clerk, or agent of any bank admitted to membership under authority of this Sec. to certify any check drawn upon such bank unless the person or Co. drawing the check has on deposit therewith at the time such check is certified an amount of money equal to the amount specified in such check. Any check so certified by duly authorized officers shall be a good and valid obligation against such bank, but the act of any such officer, clerk, or agent in violation of this Sec. may subject such bank to a forfeiture of its membership in the Fed. Res. System upon hearing by the Fed. Res. Board.

FEDERAL RESERVE BOARD

SEC. 10. A Fed. Res. Board is hereby created which shall consist of 7 members, including the Secy. of the Treas. and the Comptroller of the Currency, who shall be members ex officio, and 5 members appointed by the Pres. of the U. S., by and with the advice and consent of the Senate. In selecting the 5 appointive members of the Fed. Res. Board, not more than one of whom shall be selected from any one Fed. Res. Dist., the Pres. shall have due regard to a fair representation of the different commercial, industrial and geographical Divs. of the country. The 5 members of the Fed. Res. Board appointed by the Pres. and confirmed as aforesaid shall devote their entire time to the business of the Fed. Res. Board and shall each receive an annual salary of $12,000, payable monthly together with actual necessary traveling expenses, and the Comptroller of the Currency, as ex efficio member of the Fed. Res. Board, shall, in addition to the salary now paid him as Comptroller of the Currency, receive the sum of $7,000 annually for his services as a member of said Board.

The members of said board, the Secy. of the Treas., the Asst. Secys. of the Treas., and the Comptroller of the Currency shall be ineligible during the time they are in office and for 2 years thereafter to hold any office, position, or employment in any member bank. Of the 5 members thus appointed by the Pres. at least 2 shall be persons experienced in banking or finance. One shall be designated by the Pres. to serve for 2, one for 4, one for 6, one for 8, and one for 10 years, and thereafter each member so appointed shall serve for a term of 10 years unless sooner removed for cause by the Pres. Of the 5 persons thus appointed, one shall be designated by the Pres. as governor and one as Vice-Gov. of the Fed. Res. Board. The Gov. of the Fed. Res. Board, subject to its supervision, shall be the active executive officer. The Secy. of the Treas. may assign offices in the Dept. of the Treas. for the use of the Fed. Res. Board. Each member of the Fed. Res. Board shall within 15 days after notice of appointment make and subscribe to the oath of office.

The Fed. Res. Board shall have power to levy semiannually upon the Fed. Res. banks, in proportion to their capital stock and surplus, an assessment sufficient to pay its estimated expenses and the salaries of its members and employees for the ½ year succeeding the levying of such assessment, together with any deficit carried forward from the preceding ½ year.

The first meeting of the Fed. Res. Board shall be held in Washington, D. C., as soon as may be after the passage of this Act, at a date to be fixed by the Reserve Bank Organization Committee. The Secy. of the Treas. shall be ex officio chairman of the Fed. Res. Board. No member of the Fed. Res. Board shall be an officer or director of any bank, B'k'g. Inst., Tr. Co., or Fed. Res. bank nor hold stock in any bank, B'k'g. Inst., or Tr. Co.; and before entering upon his duties as a member of the Fed. Res. Board he shall certify under oath to the Secy. of the Treas. that he has complied with this requirement. Whenever a vacancy shall occur, other than by expiration of term, among the 5 members of the Fed. Res. Board appointed by the Pres., as above provided, a successor shall be appointed by the Pres., with the advice and consent of the Senate, to fill such vacancy, and when appointed he shall hold office for the unexpired term of the member whose place he is selected to fill.

The Pres. shall have power to fill all vacancies that may happen on the Fed. Res. Board during the recess of the Senate, by granting commissions which shall expire 30 days after the next session of the Senate convenes.

Nothing in this Act contained shall be construed as taking away any powers heretofore vested by law in the Secy. of the Treas. which relate to the supervision, management, and control of the Treas. Dept. and bureaus under such Dept. and wherever any power vested by this Act in the Fed. Res. Board or the Fed. Res. agent appears to conflict with the powers of the Secy. of the Treas., such powers shall be exercised subject to the supervision and control of the Secy.

The Fed. Res. Board shall annually make a full report of its operations to the Speaker of the House of Representatives, who shall cause the same to be printed for the information of the Congress.

Sec. 324 of the Rev. Sts. of the U. S. shall be amended so as to read as follows: There shall be in the Dept. of the Treas. a bureau charged with the execution of all laws passed by Congress relating to the issue and regulation of Nat. currency secured by U. S. bonds and, under the general supervision of the Fed. Res. Board, of all Fed. Res. notes, the chief officer of which bureau shall be called the Comptroller of the Currency and shall perform his duties under the general directions of the Secy. of the Treas.

Sec. 11. The Fed. Res. Board shall be authorized and empowered:

(a) To examine at its discretion the accounts, books and affairs of each Fed. Res. bank and of each member bank and to require such statements and reports as it may deem necessary. The said board shall publish once each week a statement showing the condition of each Fed. Res. bank and a consolidated statement for all Fed. Res. banks. Such statements shall show in detail the assets and liabilities of the Fed. Res. banks, single and combined, and shall furnish full information regarding the character of the money held as reserve and the amount, nature and maturities of the paper and other investments owned or held by Fed. Res. banks.

(b) To permit, or, on the affirmative vote of at least 5 members of the Res. Board to require Fed. Res. banks to rediscount the discounted paper of other Federal Res. banks at rates of interest to be fixed by the Fed. Res. Board.

(c) To suspend for a period not exceeding 30 days, and from time to time to renew such suspension for periods not exceeding 15 days, any reserve requirement specified in this Act: *Provided*, That it shall establish a graduated tax upon the amounts by which the reserve requirements of this Act may be permitted to fall below the level hereinafter specified: *And provided further*, That when the gold reserve held against Fed. Res. notes falls below 40%, the Fed. Res. Board shall establish a graduated tax of not more than 1% per annum upon such deficiency until the reserves fall to $32\frac{1}{2}$%, and when said reserve falls below $32\frac{1}{2}$%, a tax at the rate increasingly of not less than $1\frac{1}{2}$% per annum upon each $2\frac{1}{2}$% or fraction thereof that such reserve falls below $32\frac{1}{2}$%. The tax shall be paid by the reserve bank, but the reserve bank shall add an amount equal to said tax to the rates of Int. and Dis. fixed by the Fed. Res. Board.

(d) To supervise and regulate through the bureau under the charge of the Comptroller of the Currency the issue and retirement of Fed. Res. notes, and to prescribe rules and regulations under which such notes may be delivered by the Comptroller to the Fed. Res. agents applying therefor.

(e) To add to the number of cities classified as reserve and central reserve cities under existing law in which Nat. B'k'g. Assos. are subject to the reserve requirements set forth in Sec. 20 of this Act; or to reclassify existing reserve and central reserve cities or to terminate their designation as such.

(f) To suspend or remove any officer or director of any Fed. Res. bank, the cause of such removal to be forthwith communicated in writing by the Fed. Res. Board to the removed officer or director and to said bank.

(g) To require the writing off of doubtful or worthless assets upon the books and balance sheets of Fed. Res. banks.

(h) To suspend, for the violation of any of the provisions of this Act, the operations of any Fed. Res. bank, to take possession thereof, administer the same during the period of suspension, and, when deemed advisable, to liquidate or reorganize such bank.

(i) To require bonds of Fed. Res. agents, to make regulations for the safeguarding of all collateral, bonds, Fed. Res. notes, money or property of any kind deposited in the hands of such agents, and said board shall perform the duties, functions, or services specified in this Act, and make all rules and regulations necessary to enable said board effectively to perform the same.

(j) To exercise general supervision over said Fed. Res. banks.

(k) To grant by special permit to Nat. banks applying therefor, when not in contravention of State or local law, the right to act as trustee, executor, administrator, or registrar of stocks and bonds under such rules and regulations as the said board may prescribe.

(l) To employ such attorneys, experts, assistants, clerks, or other employees as may be deemed necessary to conduct the business of the board. All salaries and fees shall be fixed in advance by said board and shall be paid in the same manner as the salaries of the members of said board. All such attorneys, experts, assistants, clerks, and other employees shall be appointed without regard to the provisions of the Act of Jan. 16, 1883 (Vol. 22, U. S. Sts. at Large, page 403), and amendments thereto, or any rule or regulation made in pursuance thereof: *Provided,* That nothing herein shall prevent the Pres. from placing said employees in the classified service.

(m) Upon the affirmative vote of not less than 5 of its members the Fed. Res. Board shall have power, from time to time, by general ruling, covering all Dists. alike, to permit member banks to carry in the Fed. Res. banks of their respective Dists. any portion of their reserves now required by Sec. 19 of this Act to be held in their own vaults.

FEDERAL ADVISORY COUNCIL

Sec. 12. There is hereby created a Federal Advisory Council, which shall consist of as many members as there are Fed. Res. Dists. Each Fed. Res. bank by its board of directors shall annually select from its own Fed. Res. Dist. one member of said council, who shall receive such compensation and allowances as may be fixed by his board of directors subject to the approval of the Fed. Res. Board. The meetings of said advisory council shall be held at Washington, D. C., at least 4 times each year, and oftener if called by the Fed. Res. Board. The council may in addition to the meetings above provided for hold such other meetings in Washington, D. C., or elsewhere, as it may deem necessary, may select its own officers and adopt its own methods of procedure, and a majority of its members shall constitute a quorum for the transaction of business. Vacancies in the council shall be filled by the respective reserve banks, and members selected to fill vacancies, shall serve for the unexpired term.

The Fed. Adv. Council shall have power, by itself or through its officers, (1) to confer directly with the Fed. Res. Board on general business conditions; (2) to make oral or written representations concerning matters within the jurisdiction of said board; (3) to call for information and to make recommendations in regard to discount rates, rediscount business, note issues, reserve conditions in the various Dists., the purchase and sale of gold or securities by reserve banks, open-market operations by said banks, and the general affairs of the reserve banking system.

POWERS OF FEDERAL RESERVE BANKS

Sec. 13. Any Fed. Res. bank may receive from any of its member banks, and from the U. S., deposits of current funds in lawful money, Nat.-bank notes, Fed. Res. notes, or checks, and drafts, payable upon presentation, and also, for collection, maturing notes and bills; or solely for purposes of exchange or of collection, may receive from other Fed. Res. banks deposits of current funds in lawful money, Nat.-bank notes, or checks upon other Fed. Res. banks, and checks and drafts, payable upon presentation within its Dist., and maturing notes and bills payable within its Dist.; or, solely for the purposes of exchange or of collection, may receive from any nonmember bank or Tr. Co. deposits of current funds in lawful money, Nat.-bank notes, Fed. Res. notes, checks and drafts payable upon presentation, or maturing notes and bills: *Provided*, Such nonmember bank or Tr. Co. maintains with the Fed. Res. bank of its Dist. a balance sufficient to offset the items in transit held for its account by the Fed. Res. bank: *Provided further*, That nothing in this or any other Sec. of this Act shall be construed as prohibiting a member or nonmember bank from making reasonable charges, to be determined and regulated by the Fed. Res. Board, but in no case to exceed 10 cents per $100 or fraction thereof, based on the total of checks and drafts presented at any one time, for collection or payment of checks and drafts and remission therefor by exchange or otherwise; but no such charges shall be made against the Fed. Res. banks.

Upon the indorsement of any of its member banks, which shall be deemed a waiver of demand, notice and protest by such bank as to its own indorsement exclusively, any Fed. Res. bank may discount notes, drafts, and bills of exchange arising out of actual commercial transactions; that is, notes, drafts, and bills of exchange issued or drawn for agricultural, industrial, or commercial purposes, or the proceeds of which have been used, or are to be used, for such purposes, the Fed. Res. Board to have the right to determine or define the character of the paper thus eligible for discount, within the meaning of this Act. Nothing in this Act contained shall be construed to prohibit such notes, drafts, and bills of exchange, secured by staple agricultural products, or other goods, wares, or merchandise from being eligible for such discount; but such definition shall not include notes, drafts, or bills covering merely investments or issued or drawn for the purpose of carrying or trading in stocks, bonds, or other Inv. securities, except bonds and notes of the Govt. of the U. S. Notes, drafts, and bills admitted to discount under the terms of this paragraph must have a maturity at the time of discount of not more than 90 days, exclusive of days of grace: *Provided*, That notes, drafts, and bills drawn or issued for agricultural purposes or based on live stock and having a maturity not exceeding 6 months, exclusive of days of grace, may be discounted in an amount to be limited to a percentage of the assets of the Fed. Res. bank, to be ascertained and fixed by the Fed. Res. Board.

The aggregate of such notes, drafts, and bills bearing the signature or indorsement of any one borrower, whether a person, Co., firm, or Corp., rediscounted for any one bank shall at no time exceed 10% of the unimpaired capital and surplus of said bank; but this restriction shall not apply to the discount of bills of exchange drawn in good faith against actually existing values.

Any Fed. Res. bank may discount acceptances of the kinds hereinafter described, which have a maturity at the time of discount of not more than 3 months' sight, exclusive of days of grace, and which are indorsed by at least one member bank.

Any member bank may accept drafts or bills of exchange drawn upon it having not more than 6 months' sight to run, exclusive of days of grace, which grow out of transactions involving the importation or exportation of goods; or which grow out of transactions involving the domestic shipment of goods provided shipping documents conveying or securing title are attached at the time of acceptance; or which are secured at the time of acceptance by a warehouse receipt or other such document conveying or securing title covering readily marketable staples. No member bank shall accept, whether in a foreign or domestic transaction, for any one person, Co., firm, or Corp. to an amount equal at any time in the aggregate to more than 10% of its paid-up and unimpaired capital stock and surplus unless the bank is secured either by attached documents or by some other actual security growing out of the same transaction as the acceptance and no bank shall accept such bills to an amount equal at any time in the aggregate to more than ½ of its paid-up and unimpaired capital stock and surplus; *Provided, however,* That the Fed. Res. Board, under such general regulations as it may prescribe, which shall apply to all banks alike regardless of the amount of capital stock and surplus, may authorize any member bank to accept such bills to an amount not exceeding at any time in the aggregate 100% of its paid-up and unimpaired capital stock and surplus: *Provided, further,* That the aggregate of acceptances growing out of domestic transactions shall in no event exceed 50% of such capital stock and surplus.

Any Fed. Res. bank may make advances to its member banks on their promissory notes for a period not exceeding 15 days at rates to be established by such Fed. Res. banks, subject to the review and determination of the Fed. Res. Board, provided such promissory notes are secured by such notes, drafts, bills of exchange, or bankers' acceptances as are eligible for rediscount or for purchase by Fed. res. banks under the provisions of this Act, or by the deposit or pledge of bonds or notes of the U. S.

Sec. 5202 of the Rev. Sts. of the the U. S. is hereby amended so as to read as follows: No Nat. B'k'g. Asso. shall at any time be indebted, or in any way liable, to an amount exceeding the amount of its capital stock at such time actually paid in and remaining undiminished by losses or otherwise, except on account of demands of the nature following:

1st. Notes of circulation.

2d. Moneys deposited with or collected by the Asso.

3d. Bills of exchange or drafts drawn against money actually on deposit to the credit of the Asso., or due thereto.

4th. Liabilities to the stockholders of the Asso. for Divs. and reserve profits.

5th. Liabilities incurred under the provisions of the Fed. Res. Act.

The discount and rediscount and the purchase and sale by any Fed. Res. bank of any bills receivable and of domestic and foreign bills of exchange, and of acceptances authorized by this Act, shall be subject to such restrictions, limitations, and regulations as may be imposed by the Fed. Res. Board.

That in addition to the powers now vested by law in Nat. B'k'g. Assos. organized under the laws of the U. S. any such Asso. located and doing business in any place the population of which does not exceed 5000 inhabitants, as shown by the last preceding decennial census, may, under such rules and regulations as may be prescribed by the Comptroller of the Currency, act as the agent for any fire, life, or other Ins. Co. authorized by the authorities of the State in which said bank is located to do business in said State, by soliciting and selling Ins. and collecting premiums on policies issued by such Co.; and may receive for services so rendered such fees or commissions as may be agreed upon between the said Asso. and the Ins. Co. for which it may act as agent; and may also act as the broker or agent for others in making or procuring loans on real estate located within 100 miles of the place in which said bank may be located, receiving for such services a reasonable fee or commission: *Provided, however,* That no such bank shall in any case guarantee either the principal or Int. of any such loans or assume or guarantee the payment of any premium on Ins. policies issued through its agency by its principal: *And provided further,* That the bank shall not guarantee the truth of any statement made by an assured in filing his application for insurance.

Any member bank may accept drafts or bills of exchange drawn upon it having not more than 3 months' sight to run, exclusive of days of grace, drawn under regulations to be prescribed by the Fed. Res. Board by banks or bankers in foreign countries or dependencies or insular possessions of the U. S. for the purpose of furnishing dollar exchange as required by the usages of trade in the respective countries, dependencies, or insular possessions. Such drafts or bills may be acquired by Fed. Res. banks in such amounts and subject to such regulations, restrictions, and limitations as may be prescribed by the Fed. Res. Board: *Provided, however*, That no member bank shall accept such drafts or bills of exchange referred to in this paragraph for any one bank to an amount exceeding in the aggregate 10% of the paid-up and unimpaired capital and surplus of the accepting bank unless the draft or bill of exchange is accompanied by documents conveying or securing title or by some other adequate security: *Provided further*, That no member bank shall accept such drafts or bills in an amount exceeding at any time the aggregate of ½ of its paid-up and unimpaired capital and surplus.

OPEN-MARKET OPERATIONS

SEC. 14. Any Fed. Res. bank may, under rules and regulations prescribed by the Fed. Res. Board, purchase and sell in the open market, at home or abroad, either from or to domestic or foreign banks, firms, Corps., or individuals, cable transfers and bankers' acceptances and bills of exchange of the kinds and maturities by this Act made eligible for rediscount, with or without the indorsement of a member bank.

Every Federal reserve bank shall have power:

(a) To deal in gold coin and bullion at home or abroad, to make loans thereon, exchange Fed. Res. notes for gold, gold coin, or gold C't'fs., and to contract for loans of gold coin or bullion, giving therefor, when necessary, acceptable security, including the hypothecation of U. S. bonds or other securities which Fed. Res. banks are authorized to hold;

(b) To buy and sell, at home or abroad, bonds and notes of the U. S., and bills, notes, revenue bonds, and warrants with a maturity from date of purchase of not exceeding 6 months, issued in anticipation of the collection of taxes or in anticipation of the receipt of assured revenues by any State, county, Dist., political Subdiv., or municipality in the continental U. S., including irrigation, drainage and reclamation Dists., such purchases to be made in accordance with rules and regulations prescribed by the Fed. Res. Board;

(c) To purchase from member banks and to sell, with or without its indorsement, bills of exchange arising out of commercial transactions, as hereinbefore defined;

(d) To establish from time to time, subject to review and determination of the Fed. Res. Board, rates of discount to be charged by the Fed. Res. bank for each class of paper, which shall be fixed with a view of accommodating commerce and business;

(e) To establish accounts with other Fed. Res. banks for exchange purposes and, with the consent or upon the order and direction of the Fed. Res. Board and under regulations to be prescribed by said board, to open and maintain accounts in foreign countries, appoint correspondents, and establish agencies in such countries wheresoever it may deem best for the purpose of purchasing, selling, and collecting bills of exchange, and to buy and sell, with or without its indorsement, through such correspondents or agencies, bills of exchange (or acceptances) arising out of actual commercial transactions which have not more than ninety days to run, exclusive of days of grace, and which bear the signature of two or more responsible parties, and, with the consent of the Fed. Res. Board, to open and maintain banking accounts for such foreign correspondents or agencies. Whenever any such account has been opened or agency or correspondent has been appointed by a Fed. Res. bank, with the consent of or under the order and direction of the Fed. Res. Board, any other Fed. Res. bank may, with the consent and approval of the Fed. Res. Board, be permitted to carry on or conduct, through the Fed. Res. bank opening such account or appointing such agency or correspondent, any transaction authorized by this Sec. under rules and regulations to be prescribed by the board.

GOVERNMENT DEPOSITS

SEC. 15. The moneys held in the general fund of the Treas., except the 5% fund for the redemption of outstanding Nat.-bank notes and the funds provided in this Act for the redemption of Fed. Res. notes may, upon the direction of the Secy. of the Treas., be deposited in Fed. Res. banks, which banks, when required by the Secy. of the Treas., shall act as fiscal agents of the U. S.; and the revenues of the Govt. or any part thereof may be deposited in such banks, and disbursements may be made by checks drawn against such deposits.

No public funds of the Philippine Ids., or of the postal Sav., or any Govt. funds, shall be deposited in the continental U. S. in any bank not belonging to the system established by this Act: *Provided, however,* That nothing in this Act shall be construed to deny the right of the Secy. of the Treas. to use member banks as depositories.

NOTE ISSUES

SEC. 16. Fed. Res. notes, to be issued at the discretion of the Fed. Res. Board for the purpose of making advances to Fed. Res. banks through the Fed. Res. agents as hereinafter set forth and for no other purpose, are hereby authorized. The said notes shall be obligations of the U. S. and shall be receivable by all Nat. and member banks and Fed. Res. banks and for all taxes, customs, and other public dues. They shall be redeemed in gold on demand at the Treas. Dept. of the U. S., in the city of Washington, D. C., or in gold or lawful money at any Fed. Res. bank.

Any Fed. Res. bank may make application to the local Fed. Res. agent for such amount of the Fed. Res. notes hereinbefore provided for as it may require. Such application shall be accompanied with a tender to the local Fed. Res. agent of collateral in amount equal to the sum of the Fed. Res. notes thus applied for and issued pursuant to such application. The collateral security thus offered shall be notes, drafts, bills of exchange, or acceptances acquired under the provisions of Sec. 13 of this Act, or bills of exchange indorsed by a member bank of any Fed. Res. Dist. and purchased under the provisions of Sec. 14 of this Act, or bankers' acceptances purchased under the provisions of said Sec. 14, or gold or gold C't'fs.; but in no event shall such collateral security, whether gold, gold C't'fs., or eligible paper, be less than the amount of Fed. Res. notes applied for. The Fed. Res. agent shall each day notify the Fed. Res. Board of all issues and withdrawals of Fed. Res. notes to and by the Fed. Res. bank to which he is accredited. The said Fed. Res. Board may at any time call upon a Fed. Res. bank for additional security to protect the Fed. Res. notes issued to it.

Every Fed. Res. bank shall maintain reserves in gold or lawful money of not less than 35% against its deposits and reserves in gold of not less than 40% against its Fed. Res. notes in actual circulation: *Provided, however,* That when the Fed. Res. agent holds gold or gold C't'fs. as collateral for Fed. Res. notes issued to the bank such gold or gold C't'fs. shall be counted as part of the gold reserve which such bank is required to maintain against its Fed. Res. notes in actual circulation. Notes so paid out shall bear upon their faces a distinctive letter and serial number, which shall be assigned by the Fed. Res. Board to each Fed. Res. bank. Whenever Fed. Res. notes issued through one Fed. Res. bank shall be received by another Fed. Res. bank they shall be promptly returned for credit or redemption to the Fed. Res. bank through which they were originally issued or, upon direction of such Fed. Res. bank, they shall be forwarded direct to the Treas. of the U. S. to be retired. No Fed. Res. bank shall pay out notes issued through another under penalty of a tax of 10% upon the face value of notes so paid out. Notes presented for redemption at the Treas. of the U. S. shall be paid out of the redemption fund and returned to the Fed. Res. banks through which they were originally issued, and thereupon such Fed. Res. bank shall, upon demand of the Secy. of the Treas., reimburse such redemption fund in lawful money or, if such Fed. Res. notes have been redeemed by the Treas. in gold or gold C't'fs., then such funds shall be reimbursed to the extent deemed necessary by the Secy. of the Treas. in gold or gold C't'fs., and such Fed. Res. bank shall, so long as any of its Fed. Res. notes remain outstanding, maintain with the Treas. in gold an amount sufficient in the judgment of the Secy. to provide for all redemptions to be made by the Treas. Fed. Res. notes received by the Treas., otherwise than for redemption, may be exchanged for gold out of the redemption fund hereinafter provided and returned to the reserve bank through which they were originally issued, or they may be returned to such bank for the credit of the U. S. Fed. Res. notes unfit for circulation shall be returned by the Fed. Res. agents to the Comptroller of the Currency for cancellation and destruction.

The Fed. Res. Board shall require each Fed. Res. bank to maintain on deposit in the Treas. of the U. S. a sum in gold sufficient in the judgment of the Secy. of the Treas. for the redemption of the Fed. Res. notes issued to such bank, but in no event less than 5% of the total amount of notes issued less the amount of gold or gold C't'fs. held by the Fed. Res. agent as collateral security; but such deposit of gold shall be counted and included as part of the 40% reserve hereinbefore required. The board shall have the right, acting through the Fed. Res. agent, to grant in whole or in part or to reject entirely the application of any Fed. Res. bank for Fed. Res. notes; but to the extent that such application may be granted the Fed. Res. Board shall, through its local Fed. Res. agent, supply Fed. Res. notes to the bank so applying, and such bank shall be charged with the amount of such notes issued to it and shall pay such rate of Int. as may be established by the Fed. Res. Board on only that amount of such notes which equals the total amount of its outstanding Fed. Res. notes less the amount of gold or gold C't'fs. held by the Fed. Res. agent as collateral security. Fed. Res. notes issued to any such bank shall, upon delivery, together with such notes of such Fed. Res. bank as may be issued under Sec. 18 of this Act upon security of U. S. 2% Govt. bonds, become a first and paramount lien on all the assets of such bank.

Any Fed. Res. bank may at any time reduce its liability for outstanding Fed. Res. notes by depositing, with the Fed. Res. agent, its Fed. Res. notes, gold, gold C't'fs., or lawful money of the U. S. Fed. Res. notes so deposited shall not be reissued, except upon compliance with the conditions of an original issue.

The Fed. Res. agent shall hold such gold, gold C't'fs., or lawful money available exclusively for exchange for the outstanding Fed. Res. notes when offered by the reserve bank of which he is a director. Upon the request of the Secy. of the Treas. the Fed. Res. Board shall require the Fed. Res. agent to transmit to the Treas. of the U. S. so much of the gold held by him as collateral security for Fed. Res. notes as may be required for the exclusive purpose of the redemption of such Fed. Res. notes, but such gold when deposited with the Treas. shall be counted and considered as if collateral security on deposit with the Fed. Res. agent.

Any Fed. Res. bank may at its discretion withdraw collateral deposited with the local Fed. Res. agent for the protection of its Fed. Res. notes issued to it and shall at the same time substitute therefor other like collateral of equal amount with the approval of the Fed. Res. agent under regulations to be prescribed by the Fed. Res. Board. Any Fed. Res. bank may retire any of its Fed. Res. notes by depositing them with the Fed. Res. agent or with the Treas. of the U. S., and such Fed. Res. bank shall thereupon be entitled to receive back the collateral deposited with the Fed. Res. agent for the security of such notes. Fed. Res. banks shall not be required to maintain the reserve or the redemption fund heretofore provided for against Fed. Res. notes which have been retired. Fed. Res. notes so deposited shall not be reissued except upon compliance with the conditions of an original issue.

All Fed. Res. notes and all gold, gold C't'fs., and lawful money issued to or deposited with any Fed. Res. agent under the provisions of the Fed. Res. Act shall hereafter be held for such agent, under such rules and regulations as the Fed. Res. Board may prescribe, in the joint custody of himself and the Fed. Res. bank to which he is accredited. Such agent and such Fed. Res. bank shall be jointly liable for the safe-keeping of such Fed. Res. notes, gold, gold C't'fs., and lawful money. Nothing herein contained, however, shall be construed to prohibit a Fed. Res. agent from depositing gold or gold C't'fs. with the Fed. Res. Board, to be held by such board subject to his order, or with the Treas. of the U. S. for the purposes authorized by law.

In order to furnish suitable notes for circulation as Fed. Res. notes, the Comptroller of the Currency shall, under the direction of the Secy. of the Treas., cause plates and dies to be engraved in the best manner to guard against counterfeits and fraudulent alterations, and shall have printed therefrom and numbered such quantities of such notes of the denominations of $5, $10, $20, $50, $100, as may be required to supply the Fed. Res. banks. Such notes shall be in form and tenor as directed by the Secy. of the Treas. under the provisions of this Act and shall bear the distinctive numbers of the several Fed. Res. banks through which they are issued.

When such notes have been prepared, they shall be deposited in the Treas., or in the Subtreas. or mint of the U. S. nearest the place of business of each Fed. Res. bank and shall be held for the use of such bank subject to the order of the Comptroller of the Currency for their delivery, as provided by this Act.

The plates and dies to be procured by the Comptroller of the Currency for the printing of such circulating notes shall remain under his control and direction, and the expenses necessarily incurred in executing the laws relating to the procuring of such notes, and all other expenses incidental to their issue and retirement, shall be paid by the Fed. Res. banks, and the Fed. Res. Board shall include in its estimate of expenses levied against the Fed. Res. banks a sufficient amount to cover the expenses herein provided for.

The examination of plates, dies, bed pieces, and so forth, and regulations relating to such examination of plates, dies, and so forth, of Nat.-bank notes provided for in Sec. 5174 Rev. Sts., is hereby extended to include notes herein provided for.

Any appropriation heretofore made out of the general funds of the Treas. for engraving plates and dies, the purchase of distinctive paper, or to cover any other expense in connection with the printing of Nat.-bank notes or notes provided for by the Act of May 30, 1908, and any distinctive paper that may be on hand at the time of the passage of this Act may be used in the discretion of the Secy. for the purposes of this Act, and should the appropriations heretofore made be insufficient to meet the requirements of this Act in addition to circulating notes provided for by existing law, the Secy. is hereby authorized to use so much of any funds in the Treas. not otherwise appropriated for the purpose of furnishing the notes aforesaid: *Provided, however*, That nothing in this Sec. contained shall be construed as exempting Nat. banks or Fed. Res. banks from their liability to reimburse the U. S. for any expenses incurred in printing and issuing circulating notes.

Every Fed. Res. bank shall receive on deposit at par from member banks or from Fed. Res. banks checks and drafts drawn upon any of its depositors, and when remitted by a Fed. Res. bank, checks and drafts drawn by any depositor in any other Fed. Res. bank or member bank upon funds to the credit of said depositor in said reserve bank or member bank. Nothing herein contained shall be construed as prohibiting a member bank from charging its actual expense incurred in collecting and remitting funds, or for exchange sold to its patrons. The Fed. Res. Board shall, by rule, fix the charges to be collected by the member banks from its patrons whose checks are cleared through the Fed. Res. bank and the charge which may be imposed for the service of clearing or collection rendered by the Fed. Res. bank.

The Fed. Res. Board shall make and promulgate from time to time regulations governing the transfer of funds and charges therefor among Fed. Res. banks and their branches, and may at its discretion exercise the functions of a clearing house for such Fed. Res. banks, or may designate a Fed. Res. bank to exercise such functions, and may also require each such bank to exercise the functions of a clearing house for its member banks.

That the Secy. of the Treas. is hereby authorized and directed to receive deposits of gold coin or of gold C't'fs. with the Treas. or any Asst. Treas. of the U. S. when tendered by any Fed. Res. bank or Fed. Res. agent for credit to its or his account with the Fed. Res. Board. The Secy. shall prescribe by regulation the form of receipt to be issued by the Treas. or Asst. Treas. to the Fed. Res. bank or Fed. Res. agent making the deposit, and a duplicate of such receipt shall be delivered to the Fed. Res. Board by the Treas. at Wash. upon proper advices from any Asst. Treas. that such deposit has been made. Deposits so made shall be held subject to the orders of the Fed. Res. Board and shall be payable in gold coin or gold C't'fs. on the order of the Fed. Res. Board to any Fed. Res. bank or Fed. Res. agent at the Treasy. or at the Subtreasury of the U. S. nearest the place of business of such Fed. Res. bank or such Fed. Res. agent: *Provided, however,* That any expense incurred in shipping gold to or from the Treasy. or Subtreasuries in order to make such payments, or as a result of making such payments, shall be paid by the Fed. Res. Board and assessed against the Fed. Res. banks. The order used by the Fed. Res. Board in making such payments shall be signed by the Gov. or Vice Gov., or such other officers or members as the board may by regulation prescribe. The form of such order shall be approved by the Secy. of the Treasy.

The expenses necessarily incurred in carrying out these provisions, including the cost of the C't'fs. or receipts issued for deposits received, and all expenses incident to the handling of such deposits shall be paid by the Fed. Res. Board and included in its assessments against the several Fed. Res. banks.

Gold deposits standing to the credit of any Fed. Res. bank with the Fed. Res. Board shall, at the option of said bank, be counted as part of the lawful reserve which it is required to maintain against outstanding Fed. Res. notes, or as a part of the reserve it is required to maintain against deposits.

Nothing in this Sec. shall be construed as amending Sec. 6 of the Act of March 14, 1900, as amended by the Acts of March 4, 1907, March 2, 1911, and June 12, 1916, nor shall the provisions of this Sec. be construed to apply to the deposits made or to the receipts or C't'fs. issued under those Acts.

Sec. 17. So much of the provisions of Sec. 5159 of the Rev. Sts. of the U. S., and Sec. 4 of the Act of June 20, 1874, and Sec. 8 of the Act of July 12, 1882, and of any other provisions of existing statutes as require that before any Nat. B'k'g. Asso. shall be authorized to commence banking business it shall transfer and deliver to the Treas. of the U. S. a stated amount of U. S. registered bonds, and so much of those provisions or of any other provisions of existing statutes as require any Nat. B'k'g. Asso. now or hereafter organized to maintain a minimum deposit of such bonds with the Treas. is hereby repealed.

REFUNDING BONDS

Sec. 18. After 2 years from the passage of this Act, and at any time during a period of 20 years thereafter, any member bank desiring to retire the whole or any part of its circulating notes, may file with the Treas. of the U. S. an application to sell for its account, at par and accrued Int., U. S. bonds securing circulation to be retired.

The Treas. shall, at the end of each quarterly period, furnish the Fed. Res. Board with a list of such applications, and the Fed. Res. Board may, in its discretion, require the Fed. Res. banks to purchase such bonds from the banks whose applications have been filed with the Treas. at least 10 days before the end of any quarterly period at which the Fed. Res. Board may direct the purchase to be made: *Provided,* That Fed. Res. banks shall not be permitted to purchase an amount to exceed $25,000,000 of such bonds in any one year, and which amount shall include bonds acquired under Sec. 4 of this Act by the Fed. Res. bank.

Provided further, That the Fed. Res. Board shall allot to each Fed. Res. bank such proportion of such bonds as the capital and surplus of such bank shall bear to the aggregate capital and surplus of all the Fed. Res. banks.

Upon notice from the Treas. of the amount of bonds so sold for its account, each member bank shall duly assign and transfer, in writing, such bonds to the Fed. Res. bank purchasing the same, and such Fed. Res. bank shall, thereupon, deposit lawful money with the Treas. of the U. S. for the purchase price of such bonds, and the Treas. shall pay to the member bank selling such bonds any balance due after deducting a sufficient sum to redeem its outstanding notes secured by such bonds, which notes shall be canceled and permanently retired when redeemed.

The Fed. Res. banks purchasing such bonds shall be permitted to take out an amount of circulating notes equal to the par value of such bonds.

Upon the deposit with the Treas. of the U. S. of bonds so purchased, or any bonds with the circulating privilege acquired under Sec. 4 of this Act, any Fed. Res. bank making such deposit in the manner provided by existing law, shall be entitled to receive from the Comptroller of the Currency circulating notes in blank, registered and countersigned as provided by law, equal in amount to the par value of the bonds so deposited. Such notes shall be the obligations of the Fed. Res. bank procuring the same, and shall be in form prescribed by the Secy. of the Treas., and to the same tenor and effect as Nat.-bank notes now provided by law. They shall be issued and redeemed under the same terms and conditions as Nat.-bank notes except that they shall not be limited to the amount of the capital stock of the Fed. Res. bank issuing them.

Upon application of any Fed. Res. bank, approved by the Fed. Res. Board, the Secy. of the Treas. may issue, in exchange for U. S. 2% gold bonds bearing the circulation privilege, but against which no circulation is outstanding, one-year gold notes of the U. S. without the circulation privilege, to an amount not to exceed ½ of the 2% bonds so tendered for exchange, and 30-year 3% gold bonds without the circulation privilege for the remainder of the 2% bonds so tendered: *Provided,* That at the time of such exchange the Fed. Res. bank obtaining such one-year gold notes shall enter into an obligation with the Secy. of the Treas. binding itself to purchase from the U. S. for gold at the maturity of such one-year notes, an amount equal to those delivered in exchange for such bonds, if so requested by the Secy., and at each maturity of one-year notes so purchased by such Fed. Res. bank, to purchase from the U. S. such an amount of one-year notes as the Secy. may tender to such bank, not to exceed the amount issued to such bank in the first instance, in exchange for the 2% U. S. gold bonds; said obligation to purchase at maturity such notes shall continue in force for a period not to exceed 30 years.

For the purpose of making the exchange herein provided for, the Secy.

of the Treas. is authorized to issue at par Treas. notes in coupon or registered form as he may prescribe in denominations of $100, or any multiple thereof, bearing Int. at the rate of 3% per annum, payable quarterly, such Treas. notes to be payable not more than one year from the date of their issue in gold coin of the present standard value, and to be exempt as to principal and Int. from the payment of all taxes and duties of the U. S. except as provided by this Act, as well as from taxes in any form by or under State, municipal, or local authorities. And for the same purpose, the Secy. is authorized and empowered to issue U. S. gold bonds at par, bearing 3% Int. payable 30 years from date of issue, such bonds to be of the same general tenor and effect and to be issued under the same general terms and conditions as the U. S. 3% bonds without the circulation privilege now issued and outstanding.

Upon application of any Fed. Res. bank, approved by the Fed. Res. Board, the Secy. may issue at par such 3% bonds in exchange for the one-year gold notes herein provided for.

BANK RESERVES

SEC. 19. Demand deposits within the meaning of this Act shall comprise all deposits payable within 30 days, and time deposits shall comprise all deposits payable after 30 days, all savings accounts and C't'fs. of deposit which are subject to not less than 30 days' notice before payment, and all postal Sav. deposits.

Every bank, B'k'g. Asso., or Tr. Co. which is or which becomes a member of any Fed. Res. bank shall establish and maintain reserve balances with its Fed. Res. bank as follows:

(a) If not in a reserve or central reserve city, as now or hereafter defined, it shall hold and maintain with the Fed. Res. bank of its Dist. an actual net balance equal to not less than 7% of the aggregate amount of its demand deposits and 3% of its time deposits.

(b) If in a reserve city, as now or hereafter defined, it shall hold and maintain with the Fed. Res. bank of its Dist. an actual net balance equal to not less than 10% of the aggregate amount of its demand deposits and 3% of its time deposits.

(c) If in a central reserve city, as now or hereafter defined, it shall hold and maintain with the Fed. Res. bank of its Dist. an actual net balance equal to not less than 13% of the aggregate amount of its demand deposits and 3% of its time deposits.

No member bank shall keep on deposit with any State bank or Tr. Co. which is not a member bank a sum in excess of 10% of its own paid-up capital and surplus. No member bank shall act as the medium or agent of a nonmember bank in applying for or receiving discounts from a Fed. Res. bank under the provisions of this Act, except by permission of the Fed. Res. Board.

The required balance carried by a member bank with a Fed. Res. bank may, under the regulations and subject to such penalties as may be prescribed by the Fed. Res. Board, be checked against and withdrawn by such member bank for the purpose of meeting existing liabilities: *Provided, however*, That no bank shall at any time make new loans or shall pay any Divs. unless and until the total balance required by law is fully restored.

In estimating the balances required by this Act, the net difference of amounts due to and from other banks shall be taken as the basis for ascertaining the deposits against which required balances with Fed. Res. banks shall be determined.

Nat. banks, or banks organized under local laws, located in Alaska or in a dependency or insular possession or any part of the U. S. outside the continental U. S. may remain nonmember banks, and shall in that event maintain reserves and comply with all the conditions now provided by law regulating them; or said banks may, with the consent of the Reserve

Board, become member banks of any one of the reserve Dists., and shall, in that event, take stock, maintain reserves, and be subject to all the other provisions of this Act.

SEC. 20. So much of Secs. 2 and 3 of the Act of June 20, 1874, entitled "An Act fixing the amount of U. S. notes, providing for a redistribution of the Nat.-bank currency, and for other purposes," as provides that the fund deposited by any Nat. B'k'g. Asso. with the Treas. of the U. S. for the redemption of its notes shall be counted as a part of its lawful reserve as provided in the Act aforesaid, is hereby repealed. And from and after the passage of this Act such fund of 5% shall in no case be counted by any Nat. B'k'g. Asso. as a part of its lawful reserve.

BANK EXAMINATIONS

SEC. 21. Sec. 5240, U. S. Rev. Sts., is amended to read as follows:

The Comptroller of the Currency, with the approval of the Secy. of the Treas., shall appoint examiners who shall examine every member bank at least twice in each calendar year and oftener if considered necessary: *Provided, however,* That the Fed. Res. Board may authorize examination by the State authorities to be accepted in the case of State banks and Tr. Cos. and may at any time direct the holding of a special examination of State banks or Tr. Cos. that are stockholders in any Fed. Res. bank. The examiner making the examination of any Nat. Bank, or of any other member bank, shall have power to make a thorough examination of all the affairs of the bank and in doing so he shall have power to administer oaths and to examine any of the officers and agents thereof under oath and shall make a full and detailed report of the condition of said bank to the Comptroller of the Currency.

The Fed. Res. Board, upon the recommendation of the Comptroller of the Currency, shall fix the salaries of all bank examiners and make report thereof to Congress. The expense of the examinations herein provided for shall be assessed by the Comptroller of the Currency upon the banks examined in proportion to assets or resources held by the banks upon the dates of examination of the various banks.

In addition to the examinations made and conducted by the Comptroller of the Currency, every Fed. Res. bank may, with the approval of the Fed. Res. agent or the Fed. Res. Board, provide for special examination of member banks within its Dist. The expense of such examinations shall be borne by the bank examined. Such examinations shall be so conducted as to inform the Fed. Res. bank of the condition of its member banks and of the lines of credit which are being extended by them. Every Fed. Res. bank shall at all times furnish to the Fed. Res. Board such information as may be demanded concerning the condition of any member bank within the Dist. of the said Fed. Res. bank.

No bank shall be subject to any visitatorial powers other than such as are authorized by law, or vested in the courts of justice or such as shall be or shall have been exercised or directed by Congress, or by either House thereof or by any committee of Congress or of either House duly authorized.

The Fed. Res. Board shall, at least once each year, order an examination of each Fed. Res. bank, and upon joint application of 10 member banks the Fed. Res. Board shall order a special examination and report of the condition of any Fed. Res. bank.

SEC. 22. No member bank or any officer, director, or employee thereof shall hereafter make any loan or grant any gratuity to any bank examiner. Any bank officer, director, or employee violating this provision shall be deemed guilty of a misdemeanor and shall be imprisoned not exceeding one year or fined not more than $5,000, or both; and may be fined a further sum equal to the money so loaned or gratuity given. Any examiner accepting a loan or gratuity from any bank examined by him or from an officer, director, or employee thereof shall be deemed guilty of a misdemeanor and shall be imprisoned not exceeding one year or fined not more than $5,000, or both; and may be fined a further sum equal to the money so loaned or gratuity given; and shall forever thereafter be disqualified from holding office as a Nat.-bank examiner. No Nat.-bank examiner shall perform any other service for compensation while holding such office for any bank or officer, director, or employee thereof.

Other than the usual salary or director's fee paid to any officer, director, employee, or Atty. of a member bank and other than a reasonable fee paid by said bank to such officer, director, employee, or Atty. for services rendered to such bank, no officer, director, employee, or Atty. of a member bank shall be a beneficiary of or receive, directly, or indirectly, any fee, commission gift, or other consideration for or in connection with any transaction or business of the bank: *Provided, however*, That nothing in this Act contained shall be construed to prohibit a director, officer, employee, or Atty. from receiving the same rate of Int. paid to other depositors for similar deposits made with such bank: *And provided further*, That notes, drafts, bills of exchange, or other evidences of debt executed or indorsed by directors or Attys. of a member bank may be discounted with such member bank on the same terms and conditions as other notes, drafts, bills of exchange, or evidences of debt upon the affirmative vote or written assent of at least a majority of the members of the board of directors of such member bank. No examiner, public or private, shall disclose the names of borrowers or the collateral for loans of a member bank to other than the proper officers of such bank without first having obtained the express permission in writing from the Comptroller of the Currency, or from the board of directors of such bank, except when ordered to do so by a court of competent jurisdiction, or by direction of the Congress of the U. S., or of either House thereof, or any committee of Congress or of either House duly authorized. Any person violating any provision of this Sec. shall be punished by a fine of not exceeding $5,000 or by imprisonment not exceeding one year, or both.

Except as provided in existing laws, this provision shall not take effect until 60 days after the passage of this Act.

Sec. 23. The stockholders of every Nat. B'k'g. Asso. shall be held individually responsible for all contracts, debts, and engagements of such Asso., each to the amount of his stock therein, at the par value thereof in addition to the amount invested in such stock. The stockholders in any Nat. B'k'g. Asso. who shall have transferred their shares or registered the transfer thereof within 60 days next before the date of the failure of such Asso. to meet its obligations, or with knowledge of such impending failure, shall be liable to the same extent as if they had made no such transfer, to the extent that the subsequent transferee fails to meet such liability; but this provision shall not be construed to affect in any way any recourse which such shareholders might otherwise have against those in whose names such shares are registered at the time of such failure.

LOANS ON FARM LANDS

Sec. 24. Any Nat. B'k'g. Asso. not situated in a central reserve city may make loans secured by improved and unencumbered farm land situated within its Fed. Res. Dist. or within a radius of 100 miles of the place in which such bank is located, irrespective of Dist. lines, and may also make loans secured by improved and unencumbered real estate located within 100 miles of the place in which such bank is located, irrespective of Dist. lines; but no loan made upon the security of such farm land shall be made for a longer time than 5 years, and no loan made upon the security of such real estate as distinguished from farm land shall be made for a longer time than one year nor shall the amount of any such loan, whether upon such farm land or upon such real estate, exceed 50% of the actual value of the property offered as security. Any such bank may make such loans, whether secured by such farm land or such real estate, in an aggregate sum equal to 25% of its capital and surplus or to ⅓ of its time deposits and such banks may continue hereafter as heretofore to receive time deposits and to pay Int. on the same.

The Fed. Res. Board shall have power from time to time to add to the list of cities in which Nat. banks shall not be permitted to make loans secured upon real estate in the manner described in this Sec.

That Sec. 25 be, and is hereby, amended to read as follows:

Sec. 25. Any Nat. B'k'g. Asso. possessing a capital and surplus of $1,000,000 or more may file application with the Fed. Res. Board for permission to exercise, upon such conditions and under such regulations as may be prescribed by the said board, either or both of the following powers:

1st. To establish branches in foreign countries or dependencies or insular possessions of the U. S. for the furtherance of the foreign commerce of the U. S., and to act if required to do so as fiscal agents of the U. S.

2d. To invest an amount not exceeding in the aggregate 10% of its paid-in capital stock and surplus in the stock of one or more banks or Corps. chartered or incorporated under the laws of the U. S. or of any State thereof, and principally engaged in international or foreign banking, or banking in a dependency or insular possession of the U. S. either directly or through the agency, ownership, or control of local institutions in foreign countries, or in such dependencies or insular possessions.

Such application shall specify the name and capital of the B'k'g. Asso. filing it, the powers applied for, and the place or places where the B'k'g. operations proposed are to be carried on. The Fed. Res. Board shall have power to approve or to reject such application in whole or in part if for any reason the granting of such application is deemed inexpedient, and shall also have power from time to time to increase or decrease the number of places where such banking operations may be carried on.

Every Nat. B'k'g. Asso. operating foreign branches shall be required to furnish information concerning the condition of such branches to the Comptroller of the Currency upon demand, and every member bank investing in the capital stock of banks or Corps. described under subparagraph 2 of the 1st paragraph of this Sec. shall be required to furnish information concerning the condition of such banks or Corps. to the Fed. Res. Board upon demand, and the Fed. Res. Board may order special examinations of the said branches, banks, or Corps. at such time or times as it may deem best.

Before any Nat. bank shall be permitted to purchase stock in any such Corp. the said Corp. shall enter into an agreement or undertaking with the Fed. Res. Board to restrict its operations or conduct its business in such manner or under such limitations and restrictions as the said board may prescribe for the place or places wherein such business is to be conducted. If at any time the Fed. Res. Board shall ascertain that the regulations prescribed by it are not being complied with, said board is hereby authorized and empowered to institute an investigation of the matter and to send for persons and papers, subpœna witnesses, and administer oaths in order to satisfy itself as to the actual nature of the transactions referred to. Should such investigation result in establishing the failure of the Corp. in question, or of the Nat. bank or banks which may be stockholders therein, to comply with the regulations laid down by the said Fed. Res. Board, such Nat. banks may be required to dispose of stock holdings in the said Corp. upon reasonable notice.

Every such Nat. B'k'g. Asso. shall conduct the accounts of each foreign branch independently of the accounts of other foreign branches established by it and of its home office, and shall at the end of each fiscal period transfer to its general ledger the profit or loss accrued at each branch as a separate item.

Any director or other officer, agent, or employee of any member bank may, with the approval of the Fed. Res. Board, be a director or other officer, agent, or employee of any such bank or Corp. above mentioned in the capital stock of which such member bank shall have invested as hereinbefore provided, without being subject to the provisions of Sec. 8 of the Act approved October 15, 1914, entitled An Act to supplement existing laws against unlawful restraints and monopolies, and for other purposes.

SEC. 26. All provisions of law inconsistent with or superseded by any of the provisions of this Act are to that extent and to that extent only hereby repealed: *Provided*, Nothing in this Act contained shall be construed to repeal the parity provision or provisions contained in an Act approved March 14, 1900, entitled "An Act to define and fix the standard of value, to maintain the parity of all forms of money issued or coined by the U. S., to refund the public debt, and for other purposes," and the Secy. of the Treas. may for the purpose of maintaining such parity and to strengthen the gold reserve, borrow gold on the security of U. S. bonds authorized by Sec. 2 of the Act last referred to or for one-year gold notes bearing Int. at a rate of not to exceed 3% per annum, or sell the same if necessary to obtain gold. When the funds of the Treas. on hand justify, he may purchase and retire such outstanding bonds and notes.

SEC. 27. The provisions of the Act of May 30, 1908, authorizing Nat. currency Assos., the issue of additional Nat.-bank circulation, and creating a Nat. Monetary Commission, which expires by limitation under the terms of such Act on the 30th day of June, 1914, are hereby extended to June 30, 1915, and Secs. 5153, 5172, 5191, and 5214 of the Rev. Sts. of the U.S., which were amended by the Act of May 30, 1908, are hereby re-enacted to read as such Secs. read prior to May 30, 1908, subject to such amendments or modifications as are prescribed in this Act: *Provided, however*, That Sec. 9 of the Act first referred to in this Sec. is hereby amended so as to change the tax rates fixed in said Act by making the portion applicable thereto read as follows:

Nat. B'k'g. Assos. having circulating notes secured otherwise than by bonds of the U. S., shall pay for the first 3 months a tax at the rate of 3% per annum upon the average amount of such of their notes in circulation as are based upon the deposit of such securities, and afterwards an additional tax rate of ½% per annum for each month until a tax of 6% per annum is reached, and thereafter such tax of 6% per annum upon the average amount of such notes: *Provided further*, That whenever in his judgment he may deem it desirable, the Secy. of the Treas. shall have power to suspend the limitations imposed by Sec. 1 and Sec. 3 of the Act referred to in this Sec., which prescribe that such additional circulation secured otherwise than by bonds of the U. S. shall be issued only to Nat. banks having circulating notes outstanding secured by the deposit of bonds of the U. S. to an amount not less than 40% of the capital stocks of such banks, and to suspend also the conditions and limitations of Sec. 5 of said Act except that no bank shall be permitted to issue circulating notes in excess of 125% of its unimpaired capital and surplus. He shall require each bank and currency Asso. to maintain on deposit in the Treas. of the U. S. a sum in gold sufficient in his judgment for the redemption of such notes, but in no event less than 5%. He may permit Nat. banks, during the period for which such provisions are suspended, to issue additional circulation under the terms and conditions of the Act referred to as herein amended: *Provided further*, That the Secy. of the Treas., in his discretion, is further authorized to extend the benefits of this Act to all qualified State banks and Tr. Cos., which have joined the Fed. Res. system, or which may contract to join within 15 days after the passage of this Act.

SEC. 28. Sec. 5143 of the Rev. Sts. is hereby amended and re-enacted to read as follows: Any Asso. formed under this title may, by the vote of shareholders owning ⅔ of its capital stock, reduce its capital to any sum not below the amount required by this title to authorize the formation of Assos.; but no such reduction shall be allowable which will reduce the capital of the Asso. below the amount required for its outstanding circulation, nor shall any reduction be made until the amount of the proposed reduction has been reported to the Comptroller of the Currency and such reduction has been approved by the said Comptroller of the Currency and by the Fed. Res. Board, or by the organization committee pending the organization of the Fed. Res. Board.

SEC. 29. If any clause, sentence, paragraph, or part of this Act shall for any reason be adjudged by any court of competent jurisdiction to be invalid, such judgment shall not affect, impair, or invalidate the remainder of this Act, but shall be confined in its operation to the clause, sentence, paragraph, or part thereof directly involved in the controversy in which such judgment shall have been rendered.

SEC. 30. The right to amend, alter, or repeal this Act is hereby expressly reserved.

An Act to supplement existing laws against unlawful restraints and monopolies, and for other purposes, approved October 15, 1914, be, and the same is hereby, amended by striking out the period at the end of the 2d clause of said Sec., inserting in lieu thereof a colon, and adding to said clause the following:

And provided further, That nothing in this Act shall prohibit any officer, director, or employee of any member bank or class A director of a Fed. Res. bank, who shall first procure the consent of the Fed. Res. Board, which board is hereby authorized, at its discretion, to grant, withhold, or revoke such consent, from being an officer, director, or employee of not more than 2 other banks, B'k'g. Assos., or Tr. Cos., whether organized under the laws of the U. S. or any State, if such other bank, B'k'g. Asso., or Tr. Co. is not in substantial competition with such member bank.

The consent of the Fed. Res. Board may be procured before the person applying therefor has been elected as a class A director of a Fed. Res. bank or as a director of any member bank.