

SECURITIES MARKET PLACE



MONTREAL STOCK EXCHANGE

MONTREAL CURB MARKET



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PUTTING YOUR SAVINGS TO WORK

In this first period of the post-war era, a great many people have money saved up, savings they wish to put to work. The Montreal Stock Exchange and the Montreal Curb Market have arranged this series of talks in *your* interest — to explain the different types of securities in which your money may be invested, the procedure with regard to these securities and the fundamental reason for the existence of the modern stock market.

First, how may you invest your money? You may invest your money in any one, or both, of two main classes: Bonds—or Stocks.

Bonds are a prior claim on earnings and assets. A bondholder is entitled to collect interest each year and to the ultimate repayment of the principal. Nearly everyone today is familiar with Victory Bonds, and as these are an obligation of the Dominion of Canada, the holder is assured that he will get back both interest and principal. Corporate Bonds represent a portion of the Corporation debt, and are secured by the property, plant and machinery of the Corporation.

Now for stocks, or "shares". These are subdivided into Common Stock and Preferred Stock. When you buy Common Stock in a company, you own that portion of the Company's assets, represented by the number of shares held—you take part of the risk in the success of that company's business. If the Company, in which you have bought an interest, earns a profit you share in the distribution of earnings.

If you own a Preferred Stock, you must receive your dividend before any distribution is made to Common Stockholders. This dividend is restricted to a specific rate, unless otherwise stated.

The Montreal Stock Exchange and Curb Market, not only provide the facilities for the buying and selling of bonds on the markets, but also for buying and selling of shares of preferred or common stock.

Bonds and stocks are securities—to buy or sell them you deal through your stock broker, banker or investment dealer. Here we come to the origin of the stock market—How did it begin, and Why? Well, in ancient times, traders simply got together in one central market place to barter their goods, such as food and metal products.

The buying and selling of securities took place with the growth of business and industry. Governments, trading companies, large industrial plants, all sold shares to the public, to raise money. When people wanted to sell these shares later, it was hard for them to shop

around and find the person who was interested in buying. So eventually other people made it their job to form markets where they would take orders to buy or sell shares of stock on a commission basis. These markets were called "stock exchanges"—the first one being in London in 1773—and the men handling the sales eventually came to be known as "Stock Brokers". In North America, the trading of securities began shortly after 1776, under a famous Buttonwood tree in Lower New York. The New York Stock Exchange came into existence in 1792, and the Montreal Stock Exchange was formed in 1874, the first in Canada. The story of the Montreal Stock Exchange and its companion, the Montreal Curb Market, will be told in a succeeding talk.

And so we see the purpose of stock exchanges in the economic and financial world. Without the stock exchange, the expansion of trade and manufacture would be almost impossible. The Stock Exchange itself neither buys nor sells securities—it is not a gambling house—it has no interest in the fluctuations of prices of securities. It is merely a central meeting place where orders in securities, received from all parts of the world, may be executed. All stock exchanges have established rules and regulations of their own for the protection of the public when trading in securities, and in Canada, are further controlled by Provincial Security Acts.

Securities serve as a means of investment for your savings—bonds or stocks—and their issue and sale serve to make possible the development of Canada's natural resources, affecting the individual prosperity of every Canadian.

GROWING UP

The story of the Montreal Stock Exchange and the Montreal Curb Market in providing complete service for Canadian investors.

In our first talk, we traced the purpose of the Stock Exchanges—and how the early Exchanges were formed in London and New York. Tonight, we come closer to home—observing the development of our own Montreal Stock Exchange and the Montreal Curb Market—a "brother" relationship that is now well-known throughout the world.

Let's take the "elder brother" first—the Montreal Stock Exchange.

To do so, we go back to the first security trading in Montreal. This began shortly after the Napoleonic Wars. In 1817 the Bank of Montreal was founded and publicly financed. The year 1832 saw the incorporation of the Champlain and St. Lawrence Railway—the issue of stock to raise capital for this company, was sold from the old

Exchange Coffee House on St. Paul Street in Montreal. By the middle of the century, stocks were quoted daily in the Montreal press. Naturally, these early tradings were not extensive. They were, however, significant. They drew the attention of other countries to the growing economic importance of Canada in world markets.

The year 1863 saw the formation of a "Board of Stock Brokers" in Montreal. These stock brokers—eleven in number—met daily. They made rules regarding membership, commissions and listing fees for stocks. Eleven years passed. Then, in 1874, a memorable date in Canadian stock market history, this enterprising "Board of Stock Brokers" became the Montreal Stock Exchange, incorporated under that name with a charter from the Government of the Province of Quebec. The Montreal Stock Exchange is the oldest Stock Exchange in Canada.

The start was modest. The volume of business in 1874 was—compared with present day volume—very slight. It required only a single, simple room. Trading comprised 63 issues—mostly banks, insurance, railroad and navigation stocks. Daily turnover totalled about 800 shares. These figures show the stage of industrial development Canada had reached at that time, seven years after Confederation.

Around the turn of the century, however, the Montreal Stock Exchange expanded rapidly. The completion of the Canadian Pacific Railway in 1887 opened up the West. Settlers flocked to Canada. Industrial and manufacturing activity increased. These factors contributed to the growth of the stock list, and an increased turnover.

In 1904, the Montreal Stock Exchange moved from St. Sacrament Street, where it had been operating since 1883. The Exchange located in its present fine quarters, on St. Francois Xavier Street in the heart of Montreal's financial district, under the shadow of the huge towers of beautiful Notre Dame Cathedral.

The growth of the Montreal Stock Exchange to the present day has been parallel with the industrial development of the Dominion of Canada and that of the City of Montreal.

Early in 1926, the "younger brother" to the Montreal Stock Exchange was born—the Montreal Curb Market. "The Curb" was organized by the members of the Montreal Stock Exchange with a view to providing organized trading facilities for unlisted securities which could not meet the listing requirements of the Montreal Stock Exchange. 100 memberships were issued, 77 were taken up by the members of the Montreal Stock Exchange and 23 were sold to recognized stock brokers throughout Canada. The Curb Market was first housed in the Canadian Pacific Telegraph Building on Hospital Street.

Here again, the passing of time soon signalled a need for a larger trading centre. After three busy years of expansion the Curb Market moved into its present home in the Montreal Stock Exchange Building. Since 1926, the growth of the Montreal Curb Market has coincided with the marked increase in the development of the natural resources of our Dominion.

And so, up to this point in our series of talks, we have followed the purpose of the stock exchanges, their establishment throughout the world, and the progress made by our own Montreal Stock Exchange and the Montreal Curb Market.

WORKING WITH YOU

The organization and administration of the Montreal Stock Exchange and the Montreal Curb Market.

Our preceding talks have followed the purpose and development of Stock Exchanges throughout the world. We have traced the growth of the Montreal Stock Exchange and the Montreal Curb Market in keeping pace with Canada's economic importance. Now, we advance another chapter in the story of the "Exchange" and the "Curb" to explore the inner workings of this smoothly-gearred team. How are they organized to serve Canadian investors? How do they go about this service? Do they make any money at it?

Let's take membership first—since membership forms the basis of organization. The membership of the Montreal Stock Exchange at present is limited to 80 seats—the "Curb" 100. This is not, however, an arbitrary total. It can be changed. Rights of entrance, moreover, are transferable. Membership can always be obtained subject to election and the acquisition of a seat.

If you were applying for a stock broker's membership in the Montreal Stock Exchange, you would need to be a male British subject at least 21 years of age and in the free exercise of your rights. Presuming your references as to character, responsibility and financial standing pass investigation, in due course you would be voted on by members. If elected, you must then secure the transfer of a seat into your name. Provisions for election in the Montreal Curb Market are closely similar in nature.

The Montreal Stock Exchange is administered by a Governing Committee of eleven members, elected annually. The extent of Exchange activity is indicated by the fact that this executive appoints five standing Sub-Committees to assure smooth Exchange procedure.

First, there is the Committee of Arrangements. This is, in effect, a small executive committee, able to act quickly and effectively with regard to both internal and external Exchange affairs. Among other responsibilities, it makes sure the financial status of member firms continues to be satisfactory.

Then there is the Building and Floor Committee—which controls the maintenance and operation of the Exchange Building. It provides proper facilities for trading and controls the conduct of all trading and traders on the floor. To anyone seeing for the first time a busy trading session on the Exchange floor, the waving arms and babble of voices seem to indicate chaotic confusion. Rest assured everything is perfectly in hand.

Applications for the listing of securities are handled by the Listing Committee—which passes upon them and sees that listing fees are paid. Records are kept of all additions, deletions and changes. This is a demanding task with the present volume of security trading on the market.

Since Stock Exchange business is done at great speed, there is a Telephone, Telegraph and Non-Member Brokers Committee, which is in charge of all wire connections, Exchange tickers and so forth as they apply variously to members and non-members.

Liaison between the Exchange and the public is provided by the Public Relations Committee. It is through the medium of this committee that you are able to read each day in the financial pages of your favorite newspaper—or hear over the radio—the latest stock quotations and exchange news. This service is provided in both English and French. All statistics, market letters, etc., are controlled by this Committee. Thus it is that you are accurately informed, at all times, of the exact state of security trading on the Market and up-to-the-minute Exchange business.

To aid all these various committees in providing the best possible service for you, the Exchange maintains a substantial permanent staff. Again, the organization of the Montreal Curb Market is similar to that of the Montreal Stock Exchange. In the interests of efficiency and economy the executive offices of the two Exchanges are merged in many respects. For instance, the General Manager of the Montreal Stock Exchange is also General Manager of the Montreal Curb Market.

Now, the matter of money. The chief officers of the Exchanges, the Chairman and Governing Committee, act in a purely honorary capacity. They give much of their time and energy to Exchange work.

Both the Montreal Stock Exchange and Curb Market are non-profit-making organizations. The costs of administration are borne chiefly by the members through the payment of dues. Some revenue is secured through payment of listing fees.

IS THAT STOCK ON THE LIST?

Explaining the listing requirements of the Montreal Stock Exchange and the Montreal Curb Market, and the advantages that listing affords.

During our first talk, we noted that in this first period of the post-war era, a great many people have money saved up—savings they wish to put to work. If you have savings you wish to invest, you will appreciate the differences that exist between listed securities and "over the counter" securities. In this respect, we indicated last night, the place of the Montreal Stock Exchange Listing Committee, which investigates all requests made by a corporation to have its shares of stock listed.

Broadly speaking the main requisites for a corporation, wishing to have its shares listed on the Montreal Stock Exchange, are:

- (1) A sound financial position.
- (2) A distribution of the various securities of the applying corporation which would assure a public interest in the said securities.
- (3) Competent management.

The listing requirements of the Montreal Stock Exchange require that:

- (a) A copy of the Charter of the applying Corporation, and amendments thereto, be filed with the Exchange;
- (b) A copy of the By-laws of the Corporation and all amendments thereto also be filed with the Exchange;
- (c) That all certificates representing securities listed on the Exchange be steel engraved, in order to make imitation or forgery thereof exceedingly difficult;
- (d) That all certificates be transferable in the City of Montreal, and that no charge be levied for transfers;
- (e) That the following financial statements be filed with the application for listing:

- (1) Statement of earnings for the previous five years (if available);
- (2) Balance sheet as at the end of the previous fiscal year of the corporation;
- (3) Revenue and Expenditure Account for the previous fiscal year;
- (4) Surplus Account as at the end of the previous fiscal year.

In addition to the above the Montreal Stock Exchange requires that all corporations whose securities are listed thereon, supply it with the following information:

- (1) Immediate notification by telephone or telegraph of all dividend declarations;

- (2) Immediate notification of rights issued to subscribe for additional stock of the corporation;
- (3) Immediate notification of changes in the set-up of the corporation that would materially affect the prices of its securities.

The listing requirements of the Montreal Curb Market are similar to those of the Montreal Stock Exchange, but not as exacting. By and large, the Curb Market is a seasoning ground for securities prior to their being listed on the Montreal Stock Exchange.

The Curb regulations in regard to the distribution of securities and the financial status of applying corporations are not as rigid as those of the Montreal Stock Exchange.

Over 97% of the mining securities dealt in on the Montreal markets are either listed or traded in on the Montreal Curb Market.

In listing mining securities on the Montreal Curb Market the following are some of the principal requirements:

- (a) Full information as to the properties, claims, etc. owned by the applying company.
- (b) The number of shares issued in payment of the property and number of shares issued for cash, and the amount received therefor.
- (c) Certified copies of all options, pooling or escrow agreements.
- (d) Up-to-date report on work done on the property by a qualified engineer.
- (e) Financial statements showing assets and liabilities.

The wide variety of stocks listed on the Stock Exchange and Curb Market today represent shares in many different corporate enterprises operating throughout Canada and gives an up-to-date picture of the economic expansion of our Dominion. This list comprises practically all the leading Corporations in their respective fields.

Some of the advantages to a corporation, in having its securities listed or dealt in on a recognized Stock Exchange, are as follows:

- (1) A wider distribution of its securities, and consequently an increased interest by the public who own same in the product of the corporation. This makes for a better market and greater stability.
- (2) A great additional advertising value to the corporation by the publishing of its quotations daily in the press throughout the principal centres of the world.
- (3) Increased collateral value in the securities, if it is found necessary to raise funds thereon.

(4) A permanent record of all transactions in securities is maintained by the Exchanges.

Let us now examine the Over-the-Counter Market. Here, there is no record of transactions to guide you, if you are a prospective investor. The dealer acting as a principal will sell these securities at the highest price he can. It should be noted, however, that an unlisted market is necessary for new issues and securities lacking sufficient distribution to qualify for listing. In this respect, the terms "primary" and "secondary" market should be understood.

When a new company is formed and financed by the sale of securities, they may be sold direct to shareholders, or through an underwriting house which has bought up "usually at a discount" the entire issue for resale. This is the primary market. Once this initial distribution has been made, the secondary market arises and this secondary market belongs on the organized security exchange.

BUYING AND SELLING STOCK

Covering the role of the Stockbroker in serving your investment interests.

Well, this is the half-way mark in our series. We have already gained an insight into the nature of securities and stock exchanges. We have observed the organization and administration of the Montreal Stock Exchange and the Montreal Curb Market. We have seen how the securities quoted on these exchanges come to be there.

Now, we deal with the men whose job it is to carry out your orders to buy or sell these securities. Primarily, there are three kinds of stock brokers—"commission" brokers, "independent" or "floor" brokers, and "arbitrage" brokers. It must be noted, however, that at the present time on the Montreal Stock Exchange and Curb Market there are no stock brokers who are doing a purely arbitrage business. It is in your interest, however, to note the work performed by these three kinds of brokers.

First, the majority of the members of the Montreal Stock Exchange are partners of stock brokerage firms doing business with the public. These men are called "commission" brokers—because they carry out your orders to buy or sell stock and charge you the regular rates of commission. There are, of course, stock brokers who do not belong to any Exchange, yet who will serve you in the same capacity. Since most speculators deal through commission brokers, it follows naturally that these men are best known to the public at large.

Secondly, there are stock brokers known as "independent" brokers—or "floor" brokers as they are most frequently called. These "floor" brokers are not usually members of any brokerage firm. They have little or no dealings with the public. A floor broker

carries out "Buy and Sell" orders for other members of the Exchange, when these members are absent or have more business than they can handle. For this service the floor broker receives one-tenth of the regular commission.

Then, we have the "arbitrage" broker. The term "arbitrage" is a market operation consisting of the purchase of a stock on one stock exchange and its resale at practically the same moment on another exchange. Such a firm, generally known as an "arbitrage firm", may have several seats on the Exchange to deal both in arbitrage and orders on commission. The arbitrage broker has little to do with the public. Nevertheless, his work in respect to the public is important. In carrying out transactions with his colleagues on the Exchanges of Toronto, Montreal, London and New York, the arbitrage broker's operations tend to maintain similar prices for securities, listed or traded in more than one market. He aids the liquidity of the market. His operations mean more buying and selling orders in any given interlisted security.

As we have mentioned, there are no stock brokers or firms in Montreal doing only an arbitrage business.

In mentioning these types of stock brokers, and their roles in buying and selling stock, it is interesting to note that the Montreal Stock Exchange requires the member in whose name the membership is held to do the actual trading on the floor. The Montreal Curb Market permits its members to appoint representatives to appear on the floor for them.

The classification of stock brokers now existing in Montreal has developed over a long period and has been a process in keeping with the growth and complexities of trading practice. You, as an investor or prospective investor in securities, are fully protected in your dealings with stock brokers and the Stock Exchange. Sound legislation, of which we shall speak in a succeeding talk, is provided for your benefit. You have only to cooperate with the authorities. Their greatest desire is to make fraudulent stock practices an impossibility.

A DAY AT THE STOCK EXCHANGE

In which we shall follow a purchase through Exchange procedure via your order to a stock broker.

Our previous talk mentioned a "commission" broker as the man with whom you would most likely deal if you wish to buy or sell shares of stock. Very well, let us say you live in Montreal and wish to buy 25 shares of Montreal Power. You communicate with your stock broker. You can give him an **at the market order**, or a **limit order**. **At the market** means you wish to buy at the best price you can get on the floor of the Exchange when your order is received. If you specify a **limit order** that means your order will be filled only at the price you say, or better.

You choose an **at the market order**. Now the order department in your stockbroker's office telephones your order to the telephone clerk he employs on the floor of the Exchange. This telephone clerk is a man who keeps the stock broker posted on all changes in stock quotations and particulars regarding the business transacted. He must remain at his telephone booth. All messages to or from your stockbroker must be sent by way of the uniformed page boys employed by the Exchange for this purpose.

Very well, the telephone clerk receives your order. He relays it to his Exchange member or floor trader. This floor trader proceeds to a section of the floor, called a **trading square**, where Montreal Power is traded. There are many of these squares on the Exchange floor. They correspond to blackboards on the wall of the Exchange showing where the trading of particular stocks must take place. On the boards the names of stocks being traded are clearly shown, together with bid and asked prices and various figures relating to previous sales, high, low, volume, etc. The board clerks change quotations on the boards as they come through from quotations clerks posted at microphones on the floor. A ticker operator also gets these current quotations as they are made.

Now our trader with your order for 25 shares of Montreal Power looks at the board to check the current "bid" and "asked" quotations. He shouts "Power, Power, Power!" Other traders with orders for Montreal Power gather round and cry out the price at which they will buy or sell. Suppose the quotation on the board is 25—25½. This means buyers are willing to pay \$25.00 a share. Sellers want \$25.50 a share. Other traders may have orders to bid only 24½ or sell at 26. Our trader finds that 25½ is the best selling offer he can get. He therefore exclaims "Sold!" to the trader who makes this offer. It is as simple as that. You now own 25 shares of Montreal Power at \$25.50 a share.

Before we explain how you obtain delivery of these 25 shares, let us continue Exchange procedure a little further.

The procedure we have just described on the Exchange floor is the same in a transaction where—let us say John Jones of Three Rivers, Quebec, has phoned, wired, or written his stockbroker in Montreal to buy 25 shares of Montreal Power for him. Similarly, let us say Sam Smith of Lachute has contacted his stockbroker in Montreal to sell 25 shares of Montreal Power. Through the Exchange, John Jones buys the shares of Sam Smith, although neither man ever sees the other. Through the Stock Exchange, the investors in any part of the world can trade indirectly with each other quickly and easily.

Visitors to the Montreal Stock Exchange are often puzzled by the tossing of coins by the members. This happens when there are several sellers of Montreal Power at 25½. The sellers toss for the privilege of making the sale. The same thing may happen if there are several buyers at the same price.

Details of the sale of 25 shares of Montreal Power at 25½ are completed by the seller, who makes out a slip in triplicate. He keeps a copy, the buyer gets a copy, and a page boy brings the third copy to a ticker station, where all details are recorded and immediately sent over the ticker.

The ticker system operates from Halifax to Vancouver, in New York and other United States points. Furthermore, quotations of these markets under normal conditions are cabled daily to Europe and published in the press of Great Britain and most of the European countries. Thus any purchase or sale of stock is given wide and instant publicity.

All transactions in the Stock Exchanges are conducted at great speed, which accounts for the rush of sound and motion you heard at the start of this broadcast.

Incidentally, your mythical purchase of 25 shares of Montreal Power constituted a "board lot". In mining stock the "board lot" as a rule is 100 shares. Any sales or purchases of shares in quantities less than these amounts are known as "odd lots"—and as a rule there is a slight spread between quotations for odd lots and board lots—usually $\frac{1}{8}$ of a point, varying with market conditions.

Sales or purchases such as the one we have described continue throughout the day at the Montreal Stock Exchange and the Montreal Curb Market. A commission, at fixed rates arranged by the Exchange Governing Bodies, is charged for every transaction executed on the floor.

Now, how you obtain delivery of the 25 shares of Montreal Power you have bought:

When the stockbroker's office received the floor ticket or slip covering your purchase as we have described, the transaction is entered on the Clearing House Sheet. The stockbroker also enters all other transactions he has executed that day, and the Clearing House Sheet must be lodged with the Exchange Clearing House by 9:30 a.m. the following day. The Exchange Clearing House operates in much the same manner as a clearing house for banks. By the operation of the Clearing House the number of certificates and the amount of cash that has to change hands between the various member houses each day is reduced. The Clearing House establishes a cash balance for each stockbroker, either on the credit or debit side. The Clearing House compares all the Clearing Sheets received from the various member houses, and instructs each member house of the securities it has to deliver or receive, also confirming the member's cash balance.

The second day after a transaction takes place is Settlement Day. The stockbroker must have lodged delivery of the securities due with the Clearing house. The stockbroker, having a debit balan-

ce, must give his cheque to the Clearing House by 12.00 noon on Settlement Day. At 1.00 o'clock, stockbrokers receiving stock, call for the securities at the Clearing House. All the certificates going through the Clearing House must be in what is known as **street names**, that is, each share certificate is registered in the name of the member house and endorsed in blank.

With regard to your 25 shares of Montreal Power, you can take delivery of the certificate registered in the name of your stock-broker and endorsed in blank, or ask the broker to keep it for you. If, however, you are going to keep the shares for a long time, it is best to have them registered in your name and then deposit them in a safe deposit box.

BULLS AND BEARS

Explaining these common Stock Exchange terms which relate to speculation on margin, and the influence this form of speculation has on the stock market and world economic progress.

Well, we have followed, in our previous talks, the listing of shares, and the stock broker's role in trading them. We have traced the purchase of securities for investment purposes. Now we come to the buying of securities, which are intended to be held for a short time only, in the hope of quick profits. These purchases may be for cash or "on margin". Since we have already covered purchases for cash, we need only investigate the term "speculation on margin".

Briefly, speculation on margin means you deposit only a part of the purchase price of the shares. In other words, you make a "down payment", very similar to buying goods on credit from a store. The stock broker lends you the balance of the money you need to buy the stock, and charges you interest on it. He holds the stock purchased, as security for this money. The margin, therefore, is the amount of your first payment. Minimum margins, that must be maintained, are fixed from time to time by the Governing Committee of the Montreal Stock Exchange and the Montreal Curb Market.

Let us say you have purchased stock "on margin". Now, you watch the market quotations to see how your stock is doing. Perhaps there is a drop in the market price. If so, can you provide more money to maintain your margin? If you cannot, your stock broker may be reluctantly compelled to sell out a sufficient number of the shares, to cover the loss and maintain the margin at the proper level. If the price of the stock goes up, you can sell out, return the money you've borrowed from your stock broker, pay your interest, commission and taxes, and pocket your profit.

Speculation on margin, as it applies to "Bulls" and "Bears" is as follows: If you are a **bull**, you buy stock on margin, in the expectation of making a profit from a rise in the market. If you are

a bear, you anticipate a decline in the market, from which you can profit. Briefly, as a bear you would borrow shares of stock, either directly from your stock broker, or through him from some other source. Then you would tell your stock broker to sell these borrowed shares for you. The money paid by the buyer is turned over to the lender of the stock. When the market drops, you may buy shares at the lower price. You give these shares back to your lender, who returns your money. Since he returns to you more money than it cost you to buy the stock at the lower price, you make a profit. In the beginning, of course, you had to supply your margin to guard against a rising market.

These margin purchases and short sales are speculative. The Stock Exchanges of the world have been criticised for permitting them. It must be noted, however, that the speculator performs a service which is very useful to the investor. The speculator takes a risk—he may indeed make a profit, but he must also be prepared to suffer losses. The presence of this speculator in the market often makes it possible for the investor in need of cash to sell his securities immediately, where he otherwise might have had difficulty in finding a buyer. By turning over his holdings frequently the speculator broadens both the supply and demand sides of the market.

The "Bear", or short-seller, is no different from the farmer, who sells his crop of grain before he harvests it. Every short sale creates a potential buyer. Thus short-selling makes for an orderly decline in the market. Speculative credit transactions increase the liquidity of the market and provide a steady influence, and at all times, speculation is controlled by the Stock Exchange through flexible margin regulations. It is very certain that this type of speculation has been at the root of much progress in the business world on this North American continent since the beginning of the present century.

The terms "speculation" and "gambling" are separate and distinct. The speculator enters into a definite commitment with a direct bearing on our economic life. The gambler is merely interested in a fortuitous event.

THE PUBLIC IS PROTECTED

Showing how you, as an investor or prospective investor, can rely on the various protective laws and regulations controlling Exchange members and all trading in stocks and shares.

In our earlier talks, we have already dealt with some of the regulations contained in the by-laws of the Montreal Stock Exchange and the Montreal Curb Market—regulations designed to safeguard your investment interests. We have noted that before a stockbroker can become an Exchange Member, he must meet the exacting entrance requirements. We have shown the precautions taken by the

Listing Committee to assure that the stocks listed on the Exchange are those of sound corporations. In the trading of these stocks we have seen how stockbrokers are subjected to margin regulations, and we have traced the rules governing advertising and publicity by member houses, so, that at all times you are given a clear, honest, accurate position of conditions as they exist on the market.

Not only these by-laws regulate the internal and external activities of stockbrokers and brokerage firms. Every stockbroker or brokerage firm must be registered as such to have the right of trading in stocks with the public. All must operate under certain legal principles, and, in 1930, the Montreal Stock Exchange and Montreal Curb Market rules and regulations were further strengthened by the Quebec Government, which adopted the Security Frauds Prevention Act, now known as the Securities Act.

This Act enables the Government and Exchanges to work together for the protection of the Canadian investor. The Securities Act, with later audit provisions incorporated in the Exchange by-laws, gives provincial authorities, and the Exchange Committees, extensive powers in auditing books and censuring any stockbroker or dealer in securities. A consulting auditor checks on the stockbroker's auditors. In addition, a "surprise" audit may occur at any time within a specified period. It follows naturally that all Stock Exchanges throughout the world operate under reasonably similar laws. The international character of many securities results in a close collaboration between world Exchanges.

A recent factor in the business, which the Exchanges have begun to regulate is the status of customers' men. These are men employed by Members of the Stock Exchange, to secure business from the public and to service the accounts of the stockbroker's clients. These men must be approved by the Exchanges before they can solicit business. Other rules of the Montreal Stock Exchange and Curb Market include one that prevents a stockbroker from selling his own stock to the client in a commission trade on the floor. In the ordinary run of business the stockbroker acts only as an agent for the investor. If he should have occasion to do otherwise he must make this clear to his client. All by-laws governing Members of the Exchange and the Curb provide severe penalties for any infractions, ranging from fines to suspension and expulsion from membership.

As we have said, the Stock Exchange itself neither buys nor sells securities. It is not a gambling house. It has no interest in the fluctuations of prices of securities. It is merely a free and open market-place. In this respect, the listing rules, the trading rules and the many provisions for control of the members which are in effect in the Stock Exchange are a definite protection to the investor. In the past ten years, many changes and improvements have been effected. The ethics of Stock Exchange business today compare favorably with any other field of endeavour.

It need only be said that if you, as an investor or prospective investor, deal with members of an officially recognized stock exchange you will avail yourself of all the protection afforded by the rules and regulations of which we have spoken. "Protection" does not necessarily mean a certain profit for you—it means simply, that you invest your money in the listed security of your choice, with the guarantee that both the security, and the men who handle the business of trading it for you, are at all times under supervision.

FOR SERVICES RENDERED

Showing the commission a stockbroker receives in relation to the many services he performs.

Our previous talks have shown that recognized stockbrokers must do business with the public subject to various rules and regulations. The rules and regulations laid down by the respective governing bodies of the Montreal Stock Exchange and the Montreal Curb Market also provide for a schedule of minimum commission rates. These minimum rates, which stockbrokers must charge, are fixed from time to time. A commission is charged for every transaction executed on the floor. This commission must be paid, both by the buyer and the seller. It is a stockbroker's main source of revenue.

If you, as an investor, purchased securities on the Montreal Stock Exchange or Curb Market, the only charge made by your stockbroker would be for commission. According to the listing requirements of the Montreal Stock Exchange, the company whose shares are purchased must pay the transfer and registration charges, except in the case of some bearer shares. This ruling varies in the case of the Montreal Curb Market. Most industrial companies will pay for transfer and registration. Mining companies frequently charge a fee for transferring the share certificates from one name to another. The seller of a security must also pay Government transfer taxes as well as the stockbroker's commission. Both the Federal and Provincial Governments levy stock transfer taxes, which are collected for them, by the stockbrokers.

The commission rate a stockbroker could charge you varies with Exchange Rules, as it does with the value of the Stocks you buy. At the present time, these rates may be considered as follows:

For industrial Stocks selling between 50 cents and \$5.00 each, the minimum commission ranges from 3 cents to 10 cents per share. Stocks selling from \$5.00 to \$10.00—15 cents commission per share. On stocks selling from \$10.00 to \$15.00—20 cents commission per share. From \$15.00 to \$25.00—25 cents commission per share, and so on.

The commission charged on the purchase and sale of mining stock is lower again. On stock selling at 5 cents to 10 cents, the commission is \$3.00 per 1,000 shares. Stock selling at 10 cents to 25 cents—\$5.00 for 1,000 shares; at 25 cents to 50 cents, \$7.50 per 1,000 shares, etc.

Where the amount of any transaction totals from \$10.00 to \$50.00, the minimum commission fee is \$1.00, below \$10.00 it may be less. In all other cases the minimum is \$2.50.

From these figures, we find that people who speculate on low-priced stocks pay a small commission fee, and a proportionately reasonable fee for higher-priced stocks. These commissions are not all profit to the stockbroker. He has various expenses such as tickers and statistical services, informing the shareholder of the financial position, profits, potential enterprise, etc., of his own stock, as well as information on the great quantity and variety of other stocks on the Exchange. Wire and cable connections with Canadian, American and international Exchanges, add to operating costs. The stockbroker usually provides a large office where his customers can follow latest quotations on the ticker, and he must employ a staff of telegraph operators, accountants, "customers' men", stenographers, and so forth, all engaged in the many activities connected with the selling and buying of stock, and the records and information that are constant by-products.

To meet these high expenses, stockbrokers have some additional revenue in the interest charged on money they lend to investors who speculate "on margin", the term we explained in a previous talk.

And so we have traced, briefly, due to the short time at our disposal, the operations of stockbrokers with respect to commissions. The profits of stockbrokers are commensurate with the activity in the market and their own diligence in serving your investment interests.

As for the Stock Exchange itself, we have noted that it is a non-profit-making organization.

THE VALUE OF THE STOCK EXCHANGE

As we mentioned in our first talk, this educational series has been designed to inform and instruct the many people who have money saved up—savings they wish to put to work. During our talks, we covered the different types of securities in which this money could be invested. We traced the growth and purpose of Stock Exchanges throughout the world in providing a market-place for security trading. We followed the history, organization and administration of the Montreal Stock Exchange and Curb Market in assuring Canadian investors of controlled, efficient trading facilities and trading procedure. We covered listing requirements, the buying and selling of stock, the role of the stockbroker, bulls and bears, speculation on margin, the laws that protect the public, commission fees, and the relation all these activities bear in respect to every investor's interests.

The necessity of the Stock Exchange, then, has been self-evident throughout these talks. The existence of Stock Exchanges provides securities with marketability. Investors who know that there is a market-place for their securities are more willing to invest. Lack of a market-place would hinder investment. Without Stock Exchanges, the expansion of trade and manufacture which the world has witnessed since the Industrial Revolution would have been difficult.

Let us take Canada alone as our example. The many hundreds of stock and bond issues in Canada are all directly connected with financial and economic enterprise in the Dominion. They represent capital invested in undertakings of all sorts, both Government and private.

At the present time, Canada's national wealth can be estimated at about thirty billion dollars. This figure is the approximate total amount of money known to be invested in the nation's industry, including both agriculture and manufacture. It does not include undeveloped resources, such as valuable ore still in the ground, unharnessed water power, etc. Out of this 30 billion dollars of national wealth, 8 billion dollars are represented by securities, listed and traded on the Montreal Stock Exchange and the Montreal Curb Market. This 8 billion dollars represents the market value of securities issued by every branch of industry, from gold producing companies to clothing manufacturers. All these industries have obtained the money to build plants or stores, to buy equipment, to hire workers and do business through the sale of securities to the public. The Stock Exchange has helped to make this possible.

If you are not a direct owner of stocks—even if you do not possess Victory Bonds—the chances are, you still have some stake in securities. If you pay life insurance you are dependent on the securities market, for life insurance companies are among Canada's largest bondholders and shareholders. They invest in securities the bulk of premiums they receive from you.

An investment in securities is an investment in Canada's economic progress. In 1874 when the Montreal Stock Exchange was formed to serve investors in Montreal and throughout Canada, only 63 stocks were listed for trading. The passing of the years found the issue and sale of securities making possible the development of Canada's natural resources. Listed today on the Montreal Stock Exchange and Montreal Curb Market are 525 different stocks, divided into 18 different classes, and 60 bond issues. Canada has become the world's second exporting and third trading nation.

When investing in stocks and bonds, a significant factor to remember is that common stocks, preferred stocks and bonds can always be readily converted to cash, within the course of a few days.

And so, in following the value of Stock Exchanges and the role played by the Montreal Stock Exchange and Montreal Curb Market, we come again to the theme of our first talk: **Putting your Savings to Work.**

Here we can only note the wisdom of the saying that it is just as hard to keep your money and make it bear fruit for you, as it is to earn it.

Before you invest—investigate. The co-operation of everyone is necessary to eradicate fraudulent stock practices. If everyone approached by those who offer magic money-making stocks for sale would immediately notify authorities, much could be achieved. Many fly-by-night sharepushers get off scot-free, because people who have been victimized are ashamed to admit it. The fight against security frauds is carried on by Exchanges throughout the world, by Security Commissions and the Better Business Bureaus. Help them to help you.

Investor or prospective investor, you will appreciate the fact that securities must be purchased carefully after study, reflection and experience. Your wisest move is to get the impersonal advice of a specialist—a recognized stockbroker, a member of a recognized Exchange. He cannot guarantee you a profit—he can help you avoid costly errors.

And so we come to the end of our series of ten talks. Our object, as we have said, has been to interest you, inform you, and instruct you in the various phases of investment securities, the function of Stock Exchanges in general, and the Montreal Stock Exchange and the Montreal Curb Market in particular. The Montreal Stock Exchange and the Montreal Curb Market, in providing organized trading facilities and controlled trading procedure for your investment interests, will go forward, with you, to the new promise in Canada's future.

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