RE-OPENING OF LONDON STOCK EXCHANGE.

It is generally agreed that the re-opening of the London Stock Exchange must precede any opening of the Stock Exchanges on this side the Atlantic, and it is accordingly interesting to notice the steps which have been taken in that direction. Several schemes have been placed before the governing committee who have appointed a sub-committee to deal with them. Most of the schemes suggest a Government guarantee for the banks and other lenders of money against any loss they may incur as a result of the war and its effect on the Stock Exchange. The precedent for this would be the guarantee of the Government to the Bank of England against any loss in respect of bills of exchange discounted.

Many members of the Exchange, however, are opposed to receiving assistance from the Government or any outside institution, and consequently a great deal of attention has been given to a suggested scheme for dealing with the situation without a Government guarantee, by means of the formation of a big trust company to take over the entire speculative situation. To do this it is urged that the Stock Exchange must automatically antedate itself to the conditions existing at the last settlement at the end of July and ignore all speculative business done since that date, since when very little business has, in fact, been done, owing to the crisis. This condition is urged because at the date of the last settlement all the then members of the Stock Exchange were solvent, the insolvents having been hammered. Since that date the heavy slump in prices has made many members practically bankrupt.

AN UNOFFICIAL SUGGESTION.

The idea is that a trust should be formed with a sufficient capital to enable it to take up at the last making-up price the whole of the remaining speculative position then carried over. A week's notice would be given by the brokers to their clients (and also between jobbers and brokers) to take up and pay for the stock carried over last time, failing which the stock would be sold to the trust company at the last make-up price. In this way every open account would be closed.

For the sake of argument, a correspondent writes, it has been assumed that the total amount that would be involved, if many speculators did decide to take up and pay for the stock, would be about £30,000,000. In the opinion of many members of the "House" this figure is an underestimation, but whether the total be £10,000,000 or £100,000,000, the precise figure need not alter the scheme in any detail whatever. The trust company would be formed with a capital equal to that total sum, and the capital would consist of 4½ per cent. bonds, which bonds would receive an official quotation on the Stock Exchange and become a marketable security. The business of the trust company would be strictly limited to the sale of the securities acquired at its conception, and the payment of interest and redemption of the capital of the trust would be provided for in the following manner:

REDEMPTION AND INTEREST PAYMENT.

It may be assumed that the average rate of interest on the securities which would be sold to and held by the trust company would work out at about 4 per cent. Even if the rate of interest were higher or lower than this amount it would not affect the scheme, but for the purposes of discussion the figure 4 per cent. may be adopted. The redemption of the bonds would be mainly effected by sales of the securities held, and it is suggested that every three months there should be a pro rata allocation to holders by way of redemption of the bonds, to whatever extent the sales of securities would permit. The remaining ½ per cent. of interest and any further sum that might be required for the redemption of the bonds would be provided for by means of a fund raised internally on the Stock Exchange, upon transactions.

TRUST'S ADVANTAGEOUS POSITION.

If this scheme were carried through the trust company would appear to stand in an advantageous position. It would hold a large mass of mixed Stock Exchange securities, the majority of which would consist of stocks usually acceptable by the joint-stock banks as security for loans. The proportion of highly speculative shares and of shares carrying no dividends would be relatively very small. The trust company would actually hold these securities at the make-up price at the end-July account, and it is perfectly certain that no other trust company or financial institution in the world could claim to have even a fair proportion of its securities standing in its books at such a low cost price. The interest derivable from the stocks and shares held would alone secure almost the whole of the interest on the bonds, and, in addition to that, the trust company would have the benefit of the steadily increasing fund derived from the internal tax on Stock Exchange transactions. Hence the security of the bonds would be excellent, while for the purpose of redeeming the bonds the trust company could sell the stocks and shares held entirely at its own leisure and discretion.

MANAGEMENT OF THE TRUST.

It is suggested that the board of the trust company should consist of representatives of the lenders of money to the Stock Exchange and of the committee of the Stock Exchange, and that the former should be in the majority. Thus, if the board consisted of five members, three would represent the money-lenders (banks, etc.) and two would represent the Stock Exchange. It is assumed that the trust company would be able, in course of time, to realize a profit on the sale of the whole of the securities held, because in the very large majority of cases stocks were considered to be well below their intrinsic value at the end-July make-up. In that case the further sum available from the Stock Exchange tax on transactions would form a very substantial bonus on redemption of the bonds, and, at all events, it will be seen that the bonds, while admirably secured, would carry in addition a certain speculative value, because of the probability that the ultimate redemption price would be very considerably over par.

AN ATTRACTIVE INVESTMENT.

Hence, it is reasonably argued that these bonds would represent a very good investment security, with an attractive element of speculative value, from the point of view of the public. Many members who have considered this scheme would be prepared conscientiously to recommend the bonds very strongly to their clients, and there seems to be no doubt that the bonds would become a very