

STOCKBROKERS AND CLIENTS.

In the financial and commercial supplement to the London "Times" of recent date we find the following interesting article under this caption:—

Probably the earliest association that most of us connect with the Stock Exchange and its mysteries is the recollection of doing difficult sums in the arithmetic book which were described as "Stocks," and of wondering, while endeavouring to unravel their intricacies, how the broker could make a living out of the beggarly $\frac{1}{8}$ per cent. that was given him for carrying out all the transactions that were set out for our torture. Later on in life, we are apt to regard the problem from a quite different point of view; the intricacy of the sum dissolves into comparative simplicity when we have a practical example of investment or realization before us, and the broker's modest commission is too often regarded by clients as a charge which is a good deal too high for the services rendered. The error of our youth, of course, is produced by the fact that the arithmetic book generally, for the sake of the pupil's calculative faculty, deals in comparatively small and intricate amounts, with the result that an hour's labor apparently leaves the broker with about seven and sixpence in his pocket, and that it also clings to its $\frac{1}{8}$ per cent. for the sake of simplicity, regardless of the fact that brokers often charge more for certain kinds of transactions.

The Question of Commission.

The more grudging view that a great part of the investing public takes with regard to the charges incidental to purchases or sales of stock is generally based on a misapprehension of the expensive machinery and plant that a stockbroker has to maintain, and the amount of technical detail that is involved by the simplest transaction. The average client who has read books or magazine articles about the machinery of the Stock Exchange is apt to conceive his broker as lounging elegantly in the house or his office, or indulging in uproarious tomfoolery, until such time as his leisured chat, or schoolboy skylarking, is interrupted by the receipt of an order, when he strolls across the floor to a jobber who does the business for him in the course of twenty seconds conversation, and then returns to the serious work of amusing himself. This popular picture of the stockbroker and his business has a just sufficient connection with the facts of the case to make it interestingly misleading as a caricature. There are times when business is so slack and the orders received so unimportant that any work that a broker has to do may be compassed without much more effort than is described above; but then, in times such as these, it is safe to assert that the broker is not earning his office expenses. And this brings us to a point which has an important bearing on the question of commissions.

Clerical Work Involved:

For it must be remembered that the office expenses of a stockbroker are necessarily heavy in proportion to the amount of work done. When he has, as pictured above, booked his bargain with his jobber, the clerical work of the matter is only just at the beginning. First of all the contract has to be made out and checked, and the transaction has to be entered with the due solemnity and repetition involved by the system of Stock Exchange bookkeeping. Next morning the bargain has to be checked with the jobber's clerk, and when the account day approaches the client has to be written to, in many cases, so that his wishes may be learnt with regard to the bargain, as to whether it is to be completed or continued. As we are here dealing with matters of investment we will assume that the business is "real," that the stock if bought will be taken up and paid for, or if sold will be delivered. Either of these processes requires a great deal of complicated clerical work. In the case of a purchase the name and occupation of the buyer have to be written out on a form and sent through to the seller's broker, by means of the Clearing-house, or by passing the "name" through, if the security is not one dealt with by the Clearing-house, the transfer deed has to be made out, sent to the client for signature, and registered, and finally the certificate has to be despatched to the investor, due care

being exercised to see that he receives any dividends or "rights" to which he is entitled at the time of purchase.

The Broker's Staff.

The above rough sketch of the clerical work involved by a simple purchase or sale indicates sufficiently the mass of detail that is involved by the working of a stockbroker's office. But this clerical work by no means exhausts the operations that have to be covered by a well-organized firm. An enormous amount of correspondence has to be carried on, much of which may or may not lead to business, and in big offices the mere correspondence apart from the book-keeping work takes the whole time of a staff set apart for it. Then there are some clients—especially provincial brokers—who expect to be kept posted concerning the hourly fluctuations of markets, and this is a business which involves constant patrolling of the house and a steady stream of telegrams, chronicling prices and tendencies. Finally, some well-found offices, in which the partners pride themselves on having all available information on financial matters pigeon-holed for production at a moment's notice, keep a regular statistical staff, whose sole business it is to keep company reports, traffics, and other matters properly recorded, so that if a client asks a question concerning any company or security, a full and accurate answer may be immediately forthcoming.

Unpaid and Thankless Tasks.

And be it remembered that all this correspondence and statistical work is only indirectly remunerated. The lawyer who charges for every letter that he signs—even those making an appointment or acknowledging the receipt of a document—may well consider with commiseration the position of the stockbroker, who may correspond for a week for nothing, if the client finally decides that a change of investments concerning which he has been writing and receiving reams of suggestions and replies, is on the whole undesirable. For the broker charges only for business actually done, and unless his labor ends in a contract he has lost his time and energy. And perhaps worse than the correspondence that he has to conduct without remuneration, is the tax involved on his time and patience by endless interviews with garrulous clients who come to his office and palaver for hours, with no definite notion as to what they want to do except that they expect to be made aware of stock and shares yielding impossibly high rates of interest, and yet backed by unimpeachable security and absolutely certain to improve in capital value.

Financial Omniscience Expected.

All this, as we have said, is done for nothing by the broker, and yet clients seem to take it as a matter of course and to suppose that his time and energy are at their service to an unlimited extent, as long as they occasionally give him an order. They also have a habit of expecting him always to be able to deal at the middle price, robbing his jobber of the "turn" which is his due, and to know, with unflinching exactitude, the future course of markets, and the movements to which the prices of all kinds of securities will be subjected during an indefinitely extended future. It does not seem to occur to clients of this type—who are quite common—that any broker who was really possessed of this knowledge would inevitably cease to trouble himself with other people's investments, and would by merely backing the knowledge with which he is credited as a matter of course, rapidly acquire the fortune to which its possession would certainly entitle him. This consideration never seems to strike the client, who expects certain knowledge of the future to be at his or her service gratuitously, and feels hurt and aggrieved when securities that are recommended decline, and is only too apt to forget to be grateful if they improve in value.

The Speculative Client.

Clients who speculate give their brokers less trouble, in some respects, than the real investor, and are more profitable, as long as they pay their differences when markets go against them. Less clerical work is involved by a bargain that is opened and undone than by one which is carried through to a genuine purchase or delivery of stock, and the