

DICTION MEUM PACTUM

The Stock Exchange 1929-1986

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There is a building in Throgmorton Street on the side of which are the words The Stock Exchange. In former years Throgmorton Street would, during the business day, be filled with activity, scurrying clerks, stockbrokers moving between the Market and their offices, jobbers having left their pitches walking across the street for suitable replenishment in one of the many bars, groups of brokers animatedly issuing instructions or discussing one of the many topics of the day and others, top hatted, from the discount houses or certain firms of Stockbrokers walking with measured tread through the crowd.

A crowd which was added to by the touches of local colour which were just as important as those practitioners of the Market and which added to the atmosphere and purpose of The Street. The news vendor who had his stall at one end of The Street adjacent to Bartholomew Lane, the seller of matches and the blind woman who would position herself just outside the entrance to Austin Friars and sell lavender whilst a busker would appear from time to time and another would sell apples. Lining The Street in the 1950's and 60's were the restaurants, tea rooms and bars where brokers would talk and sometimes meet clients and where in some instances it was not unknown for a mini-market to continue outside of the House between broker or jobber or, before the Second World War, by those who were known as share pushers from bucket-shops endeavouring to promote interest in their doubtful wares.

Mr. Douch, the chemist, would provide any remedy particularly for those younger members or blue buttons (unauthorised clerks) who wished to take advantage of his fizzy prescription which covered and settled all ills. Throgmorton Street itself was also used as a market place after the bell had signified the close of trading in the Stock Exchange. Brokers and jobbers would gather on the pavement and in the road to deal particularly in mining shares and, as late as 1968 and the very early 1970's, when speculation in certain Australian gold shares reached a peak, many small fortunes were made whilst some of those who were over-zealous were ruined during the tense activity that took place much to the interest of passers-by.

How different is Throgmorton Street today. There is no market place, no bustle, no sense of visible activity, little romance. It all disappeared in October

1986.

It is now a quiet street. The clock remains suspended from Warnford Court under which many assignations have been arranged over the years. Copthall Court and Angel Court are unrecognisable from the 1960's and names that were synonymous with Throgmorton; Birch's, Moores, Slaters, Lyons, The Coal Hole and even the sign above the entrance to the Stock Exchange - The House - (which no longer has any meaning) - "Subscribers only Admitted" through which brokers and jobbers would stream, has become extinct.

Before we look at Big Bang which transformed so many aspects of the Stock Exchange and the City and ended individual membership, of which all had been so proud, I wish to move back but briefly in history by some 400 years to the days of adventure and discovery to touch upon the pioneering period of the 16th and 17th centuries when the early joint-stock companies were formed.

The Muscovy Company or the Mysterie and Companie of Merchant Adventurers for the Discoverie of Regions, Dominiuns, Islands and Places Unknowen was formed by subscription in 1553. The sum of £6000 was raised in order to equip and fund three ships that sailed out of Deptford on 10th May of that year upon a voyage of discovery. Only one, under the command of Richard Chancellor, returned, he having negotiated and signed a treaty with the Czar, Ivan the Terrible, allowing free trade with England.

The basis of the funding and the issue of shares in those early days provided the background for future offers for public subscription and the growing necessity for an organised market of brokers and jobbers due to the weight of business that was emerging and the eagerness of subscribers to risk their money with individuals and ventures that were often unco-ordinated and of doubtful propriety.

Business had been carried on at the Royal Exchange but brokers were subsequently asked to leave, it is said due to their unruly behaviour, and it was then that the two coffee houses of Jonathan's and Garraways's came into use in 1697. About to occur were the events that lead up to and the eventual crash of the South Seas Company Stock issues - the bubble that burst with such shattering effect.

The Stock Exchange was formed officially in 1773. This was sited in Threadneedle Street, in New Jonathan's and eventually in 1801 building commenced on the corner of Throgmorton Street and Bartholomew Lane. This was in time for the great growth in industry and the raising of capital to support not only businesses concerned but the railways, canals and other forms of

transport. New firms of brokers and jobbers were founded and dealings in Government stock by individuals became common place. The London Stock Exchange was joined by others in the provinces since it was thought that communication by industry and indeed investors from the cities and towns situated in the North of England and the Midlands was too remote and it was a natural progression for broking businesses to be formed in each locality to service the requirements of commerce around the country and to secure the capital for industry that was essential for growth.

The Stock Exchange grew in similar pace to that of the Industrial Revolution during the 19th century. A Royal Commission in the last quarter of that century carried out a role of examination into the constitution and indeed its customs and usages. This resulted in a number of observations and recommendations some of which were implemented, particularly relating to governance through Council and the size of the trading floor. A New House was added to the existing floor with the great walls carrying marble facings which had been extracted from quarries at the Roman City of Carthage and which upon the demolition in the 1970's found themselves broken down and made into cigarette boxes for those members that practised at the time.

23 years after the official opening of this New House the Stock Exchange Rule Book officially endorsed the distinction between brokers and jobbers, the former acting and dealing on behalf of clients and the latter trading only with brokers and also acting as a wholesaler in stocks or shares on behalf of their Firms. This had been common practice but it demonstrated the formality of the Council and the committees and the powers of discipline and organisation that the Stock Exchange Council held, both as to the membership, which grew rapidly from approximately 2,000 to 4,000 in 1900, and to the granting of quotation for the stock or shares in companies that were growing apace and indeed for Government Stock issues.

We are about to arrive at 1929 after 30 years of dramatic change and, to a degree, turmoil. During that period the great South African gold rush had transformed trading on the London Market up to the commencement of the First World War. Speculation took hold and money, as later in the 1960's with the Poseidon boom, was made and often lost and the Kaffir market jobbers saw no end to the activity. The Great War interrupted trading but War Loan and Victory Bonds were issued to patriotic investors backing the war effort and subsequently. But again after the war and during the boom years, despite the interruption by the General Strike of 1926, the market in industrial shares and in the many mining groups from South Africa, Western Australia, Malaysia, Northern Rhodesia, West Africa and Ceylon generated substantial activity and revenue and an often frenetic atmosphere prevailed as the country, through its

financial market, and indeed America, faced the almost inevitable crash during the last year of the 1920's.

Wall Street plummeted, suicides occurred, savings disappeared and gloom abounded. In London the events of October 1929 were not as disastrous as on Wall Street since investors were not so heavily borrowed or dealing so markedly on margin but, as so often in such circumstances, external fraud surfaced, the undoing of the infamous Clarence Hatry came to light, whilst the Great Depression of the 1930's started to take hold.

Nonetheless within the Stock Exchange members continued to trade, brokers with jobbers, and the interest in more domestic speculative issues such as the growth in gramophones and records assisted morale and the level of business. The pre Second World War structure was similar to that that remained through that War and thereafter, in that those who were allowed on the floor of the House other than the liveried waiters and certain officials were the members and their authorised clerks (those who were authorised to deal on behalf of their Firm) and their Blue Buttons who, although unauthorised to deal, would spend much of the day checking prices from the boards behind the jobbers' pitches or stands, reporting such prices to their superiors either on the floor or by telephone to their offices or acting as a runner between House and office.

A Blue Button was expected to know the name of each jobbing firm (and in 1933 there were 350 such firms) and further become acquainted with the names of the partners or members holding the books. This was a daunting task since, whilst the unauthorised clerk for the broking firm concerned would wear a round blue button in his lapel, the jobbers wore no name tags and generally there would be no indication of the identity of the firm concerned. Thus the learning curve for a new clerk was dramatic and much confidence was required, always with due respect, to enquire of a senior jobbing member the price and possible size in a quoted security.

History might well show that this was a character building process for that unauthorised clerk would later be duly authorised and, if elected by the Council having gained his appropriate sponsorship or personal recommendations from two or in some cases three senior members, achieve the important and prized goal of Membership of the Stock Exchange.

Despite the huge capital raising exercises for industry and to fund Government debt critics may now look back upon the Stock Exchange of those days as a club, but those who experienced it, whether before or after the Second World War until it was effectively disbanded in 1986, are likely to argue that whatever the description, Membership of the Stock Exchange was carried with pride and

the disciplines that attached to that membership were held in regard by all practitioners, by the City of London and in the World Markets.

Against the background of discipline, respect, honesty and loyalty and trust and all the various facets that are encapsulated in the motto My Word Is My Bond, the trading floor of the House was filled with mirth coupled with tradition from which true characters emerged, the ragging of whom added light-heartedness to brokers and jobbers alike and the whole atmosphere of the House.

When the definitive history of the House is written it will be sad if the names of those City characters, who added so much to the daily life of the trading market, are missed. Nicknames abounded - Beppo, Nellie, The Mouse, Abbott Abbott, The Slug, Grandpa, The Jockey, Dancing Doll, Syd the Yid, Tom Tit, The Skipper and many more. There was a reason for each and, once a name had been adopted, it remained often accompanied by other suitable ribbing, singing or appropriate acting as the member made his way across the floor. Top Hats might be tipped forward by an unseen hand, an unsuitable hastily written notice on a piece of paper pinned to the back of a member's coat, the copy of the Financial Times that one might be studying earnestly in a quiet corner could be set fire to by a passing member's match, or some floral tribute placed in the band of a hat as the unsuspecting owner left the House and passed down the steps into Throgmorton Street.

All of this friendship, almost ritual repartee, might even expand in particularly quiet times in the market to creating a totally fictitious share and price which, with an appropriate background story, a jobber might persuade a young broker to buy stock and go away contented until he was shortly thereafter alerted of the practical joke.

This almost school boy but sometimes extremely subtle humour (no better jokes emerged from anywhere in the country than those from the Stock Exchange) ran in parallel with the remarkable method of transacting business, namely that once a deal, a bargain, had been sealed and written in the jobber's book and noted by the broker whatever its size, be it then £3m or £5, that was sufficient for the bargain to be struck.

I cannot leave this aspect of the characters and the atmosphere within the House without referring to the weekly ritual of the singing of Jerusalem in the gilt edged market. Every Friday at 3.15 in the afternoon the rafters and dome of the House resounded to the all part singing by members and clerks of that famous hymn which would be heard in Capel Court, Bartholomew Lane and Throgmorton Street itself.

Such traditions continued until the move to the very new market and when the member ladies were admitted in March 1973. Perhaps the time was in any event ripe for such diversions to move out of the every day life of members, for although always international the London market was moving into a new era, although few would have appreciated the dramatic and almost terminal change from the old that was awaiting them in 1986.

The post war years from 1945 experienced many changes in technology (a leap forward from the original Extel tickertape of 1872) and therefore in the level of research, which pre-war had been almost non-existent. Those coming back from the war in 1945 had to take up the reins and settle themselves into positions old or new whilst other members joined. The number of jobbing firms was steadily falling as amalgamations took place or market sentiment changed. From the figure of 350 that existed in 1933 only 100 jobbers had pitches in the House in 1961 and upon the move to an entirely new market in 1972 only 26 jobbing firms remained.

A new professionalism was gradually taking place and this became particularly noticeable following the opening by Her Majesty The Queen of the new Stock Exchange. Her Majesty was escorted by The Lord Mayor, Sir Edward Howard (our President) and by the Chairman of the Exchange. This was a much more orderly market place and less fragmented than the previous House with jobbers gathered around hexagonal pitches. The Blue Button referred to previously would now have no difficulty in determining whom he should approach for a price quotation since not only were the names of jobbing firms and the industrial sector on their price boards but also on a lapel badge of all dealers. Communications were quicker and more efficient. The old telephone rooms of the previous House, where the frantic arbitrage dealers would rush into a booth to be connected to Johannesburg or New York and speak into a fixed mouth piece holding the incoming part of the telephone to their ear, had disappeared as indeed had the waiters' stands from which they would call members over and above the hubbub of the House. The dreaded sound of the hammer handled by the senior waiter that signalled the failure of a member firm was also a practice of the past.

There was a gallery from which members of the public, school or association parties could watch the activity on the floor below from behind a glass screen and hear a commentary and explanation of market practices. They might then repair to an adjacent cinema to watch one of the films that were produced by the Stock Exchange for their interest and edification.

The markets of the 40 years between the end of the Second World War and Big

Bang in 1986 moved according to sentiment, political circumstance, the nationalisation measures under the Labour Government of the 1950's and the substantial issues of British Government stock that had to be placed in compensation to the private owners of the utilities (such measures after 40 years having now been in majority reversed). New issues abounded within the 1960's as many small private companies sought quotation through the Share and Loan Department (later the Quotations Department) of the Stock Exchange. New capital was raised.

Whilst the 1960's enjoyed active and boom conditions it was clear that the political difficulties and the rise in power of the unions was beginning to take hold and unsettle sentiment and investors. The Christmas of 1974 could have been the most worrying time that the Stock Exchange had experienced since 1801. The market had fallen dramatically against a background of high inflation and confrontation that had become out of control, union power, strikes and conflict. Rumours abounded with major companies said to be on the point of bankruptcy whilst secondary banks, certain conglomerates and the asset stripping favourites of recent years were falling like flies.

Upon the Feast of the Epiphany, January 6th 1975, the end of capitalism appeared to be a foregone conclusion. It is said however that certain institutions formed a meeting on that day and moved into the market at a level of but 146 points shown on the FT 30 Share Index and, from that moment, improvement in the stock prices and sentiment occurred. Once again, however, fortunes and savings of many had been lost, but there were others to be made as a steady bull market ensued increasing volumes and creating the necessity for settlement systems to be updated and the introduction of an entirely new computerised clearing system, Talisman, to be born.

Although the central trading floor remained in place it was clear that many members were more occupied in their offices, particularly following the abolition of exchange controls in 1979, and business was experiencing considerable competition from the New York, Tokyo and other markets. Institutions were moving funds direct through foreign brokers rather than utilising the local London market and much time was being spent by member firms and particularly senior partners to determine ways and means of increasing capital which were necessary to keep pace with such competition. Pressures gathered further pace as active institutional investors dealt one with the other rather than utilising a broker or the Stock Exchange and it was becoming more impossible for member firms, where partners with capital were retiring and new members joining partnerships were unable to produce the necessary monies to satisfy the requirements, to operate without merging, as yet further restrictions were imposed on the Exchange by the Office of Fair Trading.

I commenced this paper with a somewhat sad look at Throgmorton Street and the Stock Exchange building as it is today. The final nail which resulted in what came to be known as Big Bang resulted from a luncheon in 1983 at which the Chairman of the Stock Exchange and the Secretary of State for the Department of Trade and Industry reached an agreement before court action was about to take place against the Stock Exchange by the Restrictive Practices Court. The civil action was centred, essentially, upon a separation of capacity between broker and jobber, restrictions on membership and the Stock Exchange's attitude to minimum commissions. Had that case proceeded and the Stock Exchange lost it is likely that even more mayhem would have ensued. As it was, despite the feelings of many members, an out of court settlement was reached but Big Bang then became inevitable as member firms became incorporated or introduced limited partners and individual members lost their right to such membership as voting rights, of which each member had one vote, were transferred to member firms.

Many mergers and acquisitions took place with firms being purchased by foreign banks and others and trading names that had been in existence since the 18th century disappeared. Minimum scales of commission were abolished, becoming negotiable and in competition with others both in the United Kingdom and abroad. At the same time some firms opted to become both brokers and market makers (formerly jobbers) and others as agency brokers only.

The flood gates were open. Great dealing rooms were constructed by the now highly capitalised trading entities. Jackets were thrown across the backs of chairs as bebracered dealers sat in front of screens dealing through the new computer systems, especially Stock Exchange Automated Quotations (SEAQ).

The market, the House closed. Its characters and traditions disappeared. The many clubs, associations, societies and other organisations which for over 100 years or more had formed part of the Stock Exchange either disbanded, merged or simply faded away. An era closed on the 27th October 1986.

O tempora, O mores!

It will be for another to provide a paper upon the new, the present, London Stock Exchange, arguably the greatest international securities market in the world.