



**SECURITIES AND
FUTURES COMMISSION**
證券及期貨事務監察委員會

Financial Review of the Securities Industry

For the year ended 31 December 2023

Executive Summary

The total net profits of all securities dealers and securities margin financiers¹ for 2023 amounted to \$28.5 billion², up 25% from 2022. The growth was attributable to an increase in gross interest income.

Average daily turnover on The Stock Exchange of Hong Kong Limited (SEHK) in 2023 was \$105 billion³, down 16% from 2022. As of the end of 2023, the Hang Seng Index closed at 17,047, 14% lower than its close at the end of 2022.

In respect of SEHK participants, brokerages in Categories A, B and C reported total net profits of \$5.1 billion, \$7 billion and \$1.1 billion, respectively. The net profits of all SEHK participants totalled \$13.2 billion, up 133% from 2022.

The total number of active margin clients increased 5% to 2.6 million from end-2022. At the end of 2023, average collateral coverage (as defined in remark 1a in Table 1) was 4.1 times, whilst outstanding margin loans totalled \$148 billion, down 3% from a year ago. The 20 largest providers of securities margin financing collectively accounted for 83% of the industry's total outstanding margin loans.

Table 1 below summarises the statistical information and financial highlights for securities dealers and securities margin financiers. Table 2 summarises the financial performance of the three categories of SEHK participants in 2023.

Table 1 Statistical information and financial position of securities dealers and securities margin financiers		
	31/12/2023	31/12/2022
Total number of securities dealers and securities margin financiers	1,406	1,439
Total number of active cash clients ^{1b}	2,193,229	2,203,172
Total number of active margin clients ^{1b}	2,563,883	2,446,852
Balance sheet (\$ million)		
Cash in hand and at bank ^{1c}	564,507	678,480
Amounts receivable from margin clients	148,038	152,062
Amounts receivable from clients and other dealers arising from dealing in securities	183,166	179,132
Proprietary positions	69,444	70,834
Other assets	366,674	371,941
Total assets	1,331,829	1,452,449

¹ Securities dealers and securities margin financiers refer to corporations licensed for dealing in securities or securities margin financing. Both SEHK participants and non-SEHK participants are included unless otherwise specified.

² Unless otherwise stated, the figures provided in this report are denominated in Hong Kong dollars.

³ Source: Hong Kong Exchanges and Clearing Limited.

Table 1 Statistical information and financial position of securities dealers and securities margin financiers (cont'd)

	31/12/2023	31/12/2022
Balance sheet (\$ million) (cont'd)		
Amounts payable to clients and other dealers arising from dealing in securities	624,749	697,055
Total borrowings from financial institutions	28,753	72,890
Short positions held for own account	2,571	7,183
Other liabilities	194,380	191,923
Total shareholders' funds	481,376	483,398
Total liabilities and shareholders' funds	1,331,829	1,452,449
	2023	2022
Profit and loss (\$ million)		
Total value of transactions ^{1d} (-14%)	107,897,497	126,014,719
Net securities commission income	17,113	20,210
Gross interest income	39,987	23,044
Other income ^{1e}	140,139	144,131
Net profit on proprietary trading	3,307	6,211
Total income (4%)	200,546	193,596
Total overheads and interest expense	(172,046)	(170,730)
Net profit (25%)	28,500	22,866

Remarks:

1a. Average collateral coverage represents the number of times the aggregate market value of securities collateral deposited by margin clients covers the total amount of margin loans due from these clients on a given date on an industry-wide basis:

<u>As at 31/12/2023</u>	<u>As at 31/12/2022</u>
4.1 times	4.2 times

1b. Active clients refer to clients for whom a licensed corporation is required to prepare and deliver monthly statements of account in respect of the relevant reporting month in accordance with the Securities and Futures (Contract Notes, Statements of Account and Receipts) Rules.

1c. Cash in hand and at bank includes \$340,373 million in trust monies held on behalf of clients (31/12/2022: \$399,988 million).

1d. Total value of transactions includes trading in equities, bonds and other securities in Hong Kong and overseas.

1e. Other income mainly comprises inter-company management fee income, advisory fees, asset management fees, underwriting fees and corporate finance income.

Source: Monthly Financial Returns submitted to the Securities and Futures Commission by licensed corporations licensed for dealing in securities or securities margin financing in accordance with the Securities and Futures (Financial Resources) Rules.

Table 2 Financial performance of SEHK participants^{2a} by category for the year ended 31 December 2023 (\$ million)

	Category A		Category B		Category C		All SEHK Participants	
	2023	2022	2023	2022	2023	2022	2023	2022
Total value of transactions ^{2b}	47,844,664	54,775,638	29,899,254	34,855,644	11,336,100	12,174,948	89,080,018	101,806,230
Net securities commission income	3,309	3,906	6,356	8,085	3,495	3,888	13,160	15,879
Gross interest income	6,235	3,161	19,790	10,753	8,519	6,449	34,544	20,363
Other income	13,273	13,509	11,365	13,476	9,035	9,607	33,673	36,592
Net profit/(loss) on proprietary trading	132	159	1,487	934	442	(901)	2,061	192
Total income	22,949	20,735	38,998	33,248	21,491	19,043	83,438	73,026
Salary and staff benefits	(4,386)	(4,278)	(7,863)	(8,401)	(7,300)	(7,732)	(19,549)	(20,411)
Other overheads and interest expense	(13,502)	(12,372)	(24,095)	(19,118)	(13,130)	(15,481)	(50,727)	(46,971)
Net profit/(loss)	5,061	4,085	7,040	5,729	1,061	(4,170)	13,162	5,644

Remarks:

2a. SEHK participants are classified into Categories A, B and C on the basis of their monthly turnover on SEHK. Category A participants refer to the top 14 brokers by market turnover, Category B participants refer to those ranked 15th to 65th and the remainder is grouped under Category C.

2b. The total value of transactions includes trading in equities, bonds and other securities in Hong Kong and overseas.

Source: Monthly Financial Returns submitted to the Securities and Futures Commission by SEHK participants in accordance with the Securities and Futures (Financial Resources) Rules.

Disclaimer: The objective of this paper is to provide summary financial data for interested parties to use for benchmarking, research analysis or other purposes. Observations made here should not be taken as definitive market commentaries.