



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

## **Financial Review of the Securities Industry**

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For the half year ended 30 June 2021

## Executive Summary

In the first half of 2021, the total value of transactions and net securities commission income of all securities dealers and securities margin financiers<sup>1</sup> increased by 20% and 10%, respectively, compared to the previous six-month period. Average daily turnover on The Stock Exchange of Hong Kong Limited (SEHK) was \$188.2 billion<sup>2</sup>, up 33% from the previous six months<sup>3</sup>. The Hang Seng Index closed at 28,828 on 30 June 2021, 6% higher than its close on 31 December 2020.

The net profits of all securities dealers and securities margin financiers totalled \$36.3 billion, up 22% from the previous six-month period. The growth was mainly attributable to increases in net securities commission income and net profit on proprietary trading and lower total overhead and interest expenses.

The net profits of all SEHK participants totalled \$17.7 billion in the first half of 2021, up 69% from the previous six-month period. Participants in Categories A, B and C reported total net profits of \$4.8 billion, \$8.3 billion and \$4.6 billion, respectively. The total net profits of Category C participants increased by 416%, which was mainly attributable to lower total overhead and interest expenses.

At the end of June 2021, outstanding margin loans totalled \$249.5 billion, 24% higher than the end of 2020. The 20 largest providers of securities margin financing collectively accounted for 80% of the industry's total outstanding margin loans. Average collateral coverage (as defined in remark 1a in Table 1) was 4.8 times at the end of June 2021.

Table 1 summarises the statistical information and financial highlights for securities dealers and securities margin financiers. Table 2 summarises the financial performance of each of the three categories of SEHK participants for the first half of 2021.

<b>Table 1 Statistical information and financial position of securities dealers and securities margin financiers</b>		
	<b>30/6/2021</b>	<b>31/12/2020</b>
Total number of securities dealers and securities margin financiers	1,412	1,391
Total number of active cash clients <sup>1b</sup>	1,904,850	1,737,281
Total number of active margin clients <sup>1b</sup>	2,116,294	1,470,396
<b>Balance sheet (\$ million)</b>		
Cash in hand and at bank <sup>1c</sup>	723,467	640,379
Amounts receivable from margin clients	249,468	201,916
Amounts receivable from clients and other dealers arising from dealing in securities	613,820	333,878
Proprietary positions	151,764	212,763
Other assets	350,076	423,539
<b>Total assets</b>	<b>2,088,595</b>	<b>1,812,475</b>

<sup>1</sup> 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.

<sup>2</sup> Unless otherwise stated, figures provided in this report are denominated in Hong Kong dollars.

<sup>3</sup> Source: Hong Kong Exchanges and Clearing Limited.

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

	<b>30/6/2021</b>	<b>31/12/2020</b>
<b>Balance sheet (\$ million) (cont'd)</b>		
Amounts payable to clients and other dealers arising from dealing in securities	909,630	877,314
Total borrowings from financial institutions	330,579	156,267
Short positions held for own account	26,712	78,572
Other liabilities	322,227	234,265
Total shareholders' funds	499,447	466,057
<b>Total liabilities and shareholders' funds</b>	<b>2,088,595</b>	<b>1,812,475</b>
	<b>Six months to 30/6/2021</b>	<b>Six months to 31/12/2020</b>
<b>Profit and loss (\$ million)</b>		
Total value of transactions in securities dealing (+20%)	85,724,780	71,378,368
Net securities commission income	17,567	15,983
Gross interest income	10,362	9,417
Other income <sup>1d</sup>	83,520	90,674
Net profit on proprietary trading	13,033	6,659
<b>Total income (+1%)</b>	<b>124,482</b>	<b>122,733</b>
Total overhead and interest expenses	(88,164)	(92,939)
<b>Net profit (+22%)</b>	<b>36,318</b>	<b>29,794</b>
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 30/6/2021</u>	<u>As at 31/12/2020</u>	
4.8 times	4.6 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 \$481,567 million in trust monies held on behalf of clients (31/12/2020: \$437,280 million).		
1d. Other income mainly comprises inter-company management fee income, asset management fees, advisory fees and underwriting fees.		
<i>Source: Monthly Financial Returns submitted to the Securities and Futures Commission by licensed corporations in accordance with the Securities and Futures (Financial Resources) Rules.</i>		

**Table 2 Financial performance of SEHK participants<sup>2a</sup> by category for the half year ended 30 June 2021 (\$ million)**

	Category A		Category B		Category C		All SEHK participants	
	1H 2021	2H 2020	1H 2021	2H 2020	1H 2021	2H 2020	1H 2021	2H 2020
Total value of transactions in securities dealing	35,372,013	28,678,819	26,478,961	22,165,933	8,650,867	7,645,068	70,501,841	58,489,820
Net securities commission income	4,135	3,238	6,834	6,731	3,768	3,352	14,737	13,321
Gross interest income	1,963	1,299	4,163	3,741	3,788	3,864	9,914	8,904
Other income	8,384	7,110	9,017	7,510	6,855	7,424	24,256	22,044
Net profit on proprietary trading	212	37	1,372	1,903	834	558	2,418	2,498
<b>Total income</b>	<b>14,694</b>	<b>11,684</b>	<b>21,386</b>	<b>19,885</b>	<b>15,245</b>	<b>15,198</b>	<b>51,325</b>	<b>46,767</b>
Salary and staff benefits	(2,297)	(2,351)	(4,627)	(4,138)	(3,833)	(4,814)	(10,757)	(11,303)
Other overhead and interest expenses	(7,610)	(6,107)	(8,474)	(9,379)	(6,792)	(9,488)	(22,876)	(24,974)
<b>Net profit</b>	<b>4,787</b>	<b>3,226</b>	<b>8,285</b>	<b>6,368</b>	<b>4,620</b>	<b>896</b>	<b>17,692</b>	<b>10,490</b>

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.

*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 in benchmarking, research, analysis or other purposes. Observations made here should not be taken as definitive market commentaries.