



**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 year ended 31 December 2021

## Executive Summary

The total net profits of all securities dealers and securities margin financiers<sup>1</sup> for 2021 was \$64.9 billion<sup>2</sup>, up 36% from 2020. The growth was attributable to increases in net securities commission income, net profits on proprietary trading and other income.

In 2021, the total value of the transactions of all securities dealers and securities margin financiers increased by 24%. Average daily turnover on The Stock Exchange of Hong Kong Limited (SEHK) was \$166.7 billion<sup>3</sup>, up 29% from 2020. On 31 December 2021, the Hang Seng Index closed at 23,398, 14% lower than its close at the end of the previous year.

In respect of SEHK participants, brokerages in Categories A, B and C reported total net profits of \$7.5 billion, \$14.6 billion and \$5.3 billion, respectively. The net profits of all SEHK participants totalled \$27.4 billion, up 47% from 2020.

At the end of 2021, outstanding margin loans totalled \$218.4 billion, up 8% from a year ago. The 20 largest providers of securities margin financing collectively accounted for 81% of the industry's total outstanding margin loans. The total number of active margin clients increased 51% to 2.2 million from end-2020. Average collateral coverage (as defined in remark 1a in Table 1) was 4.2 times at the end of 2021.

Table 1 below summarises 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 year ended 31 December 2021.

<b>Table 1 Statistical information and financial position of securities dealers and securities margin financiers</b>		
	<b>31/12/2021</b>	<b>31/12/2020</b>
Total number of securities dealers and securities margin financiers	1,433	1,391
Total number of active cash clients <sup>1b</sup>	1,939,379	1,737,281
Total number of active margin clients <sup>1b</sup>	2,219,721	1,470,396
<b>Balance sheet (\$ million)</b>		
Cash in hand and at bank <sup>1c</sup>	694,492	640,379
Amounts receivable from margin clients	218,436	201,916
Amounts receivable from clients and other dealers arising from dealing in securities	211,398	333,878
Proprietary positions	148,661	212,763
Other assets	385,566	423,539
<b>Total assets</b>	<b>1,658,553</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)**

	31/12/2021	31/12/2020
<b>Balance sheet (\$ million) (cont'd)</b>		
Amounts payable to clients and other dealers arising from dealing in securities	770,952	877,314
Total borrowings from financial institutions	98,429	156,267
Short positions held for own account	16,718	78,572
Other liabilities	244,242	234,265
Total shareholders' funds	528,212	466,057
<b>Total liabilities and shareholders' funds</b>	<b>1,658,553</b>	<b>1,812,475</b>
	<b>2021</b>	<b>2020</b>
<b>Profit and loss (\$ million)</b>		
Total value of transactions <sup>1d</sup> (+24%)	160,931,088	129,651,195
Net securities commission income	31,329	28,374
Gross interest income	19,394	19,493
Other income <sup>1e</sup>	166,746	150,159
Net profit on proprietary trading	21,397	16,649
<b>Total income (+11%)</b>	<b>238,866</b>	<b>214,675</b>
Total overheads and interest expense	(173,978)	(167,122)
<b>Net profit (+36%)</b>	<b>64,888</b>	<b>47,553</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 31/12/2021</u>	<u>As at 31/12/2020</u>
	4.2 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 \$452,407 million in trust monies held on behalf of clients (31/12/2020: \$437,280 million).		
1d. Total value of transactions includes trading in equities, bonds and other securities in Hong Kong and overseas.		
1e. Other income comprises inter-company management fee income, advisory fees, asset management fees, underwriting fees and corporate finance income.		
<i>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.</i>		

**Table 2 Financial performance of SEHK participants<sup>2a</sup> by category for the year ended 31 December 2021 (\$ million)**

	Category A		Category B		Category C		All SEHK Participants	
	2021	2020	2021	2020	2021	2020	2021	2020
Total value of transactions <sup>2b</sup>	66,961,544	50,931,276	49,095,999	40,403,646	15,731,788	15,341,637	131,789,331	106,676,559
Net securities commission income	7,014	5,865	12,345	11,702	6,639	6,110	25,998	23,677
Gross interest income	3,533	2,679	7,977	7,435	6,968	7,817	18,478	17,931
Other income	16,043	11,751	17,760	12,508	12,834	13,619	46,637	37,878
Net profit on proprietary trading	232	433	2,553	2,333	360	1,043	3,145	3,809
<b>Total income</b>	<b>26,822</b>	<b>20,728</b>	<b>40,635</b>	<b>33,978</b>	<b>26,801</b>	<b>28,589</b>	<b>94,258</b>	<b>83,295</b>
Salary and staff benefits	(4,508)	(4,321)	(8,861)	(7,628)	(7,899)	(9,139)	(21,268)	(21,088)
Other overheads and interest expense	(14,848)	(11,551)	(17,185)	(16,159)	(13,581)	(15,819)	(45,614)	(43,529)
<b>Net profit</b>	<b>7,466</b>	<b>4,856</b>	<b>14,589</b>	<b>10,191</b>	<b>5,321</b>	<b>3,631</b>	<b>27,376</b>	<b>18,678</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.

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.