



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

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

For the half year ended 30 June 2013



## Executive Summary

In the first half of 2013, the total net profit of all securities dealers and securities margin financiers<sup>1</sup> was \$8.6 billion<sup>2</sup>, up 86.4% from the previous six months. The net profit growth was mainly attributable to an increase in net securities commission income, which was led by increase in transaction volume, and other income.

The total value of transactions of all securities dealers and securities margin financiers increased by 25.8% in the first half of 2013. During the period, the average daily turnover on The Stock Exchange of Hong Kong Limited (SEHK) stood at \$68 billion<sup>3</sup>, up 33.7% from the previous six months. The Hang Seng Index closed at 20,803 at the end of June 2013, down 8.2% as compared to its 22,656 close at the end of December 2012.

In respect of SEHK participants, Category A brokerages reported a net profit of \$2.4 billion and Category B and C brokerages reported net profits of \$2.7 billion and \$0.5 billion respectively.

At the end of June 2013, the total outstanding margin loan was \$73.5 billion, up 24.9% from the end of 2012. The increase was contributed mainly by the 20 largest securities margin financing providers which collectively accounted for 78% of the industry's total outstanding margin loan. Average collateral coverage was 3.7 times<sup>1c</sup>.

Table 1 below summarises statistical information and financial highlights relating to 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 2013.

<b>Table 1 Statistical information and financial position of securities dealers and securities margin financiers<sup>1a</sup></b>		
	<b>30/6/2013</b>	<b>31/12/2012</b>
Total number of securities dealers and securities margin financiers	918	907
Total number of active cash clients <sup>1b</sup>	1,083,545	1,045,751
Total number of active margin clients <sup>1b</sup>	143,572	139,375
<b>Balance sheet (\$ mn)</b>		
Cash in hand and at bank <sup>1d</sup>	268,867	269,912
Amounts receivable from margin clients	73,456	58,812
Amounts receivable from clients and other dealers arising from dealing in securities	198,794	149,865
Proprietary positions	132,585	175,191
Other assets	177,760	169,357
<b>Total assets</b>	<b>851,462</b>	<b>823,137</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 of information: Hong Kong Exchanges and Clearing Limited



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

	<b>30/6/2013</b>	<b>31/12/2012</b>
<b>Balance sheet (\$ mn) (cont'd)</b>		
Amounts payable to clients and other dealers arising from dealing in securities	375,023	349,854
Total cash borrowings from financial institutions	67,789	85,348
Short positions held for own account	67,861	64,444
Other liabilities	105,601	97,878
Total shareholders' funds	235,188	225,613
<b>Total liabilities and shareholders' funds</b>	<b>851,462</b>	<b>823,137</b>
	<b>6 months to 30/6/2013</b>	<b>6 months to 31/12/2012</b>
<b>Profit and loss (\$ mn)</b>		
Total value of transactions <sup>1e</sup>	28,710,557	22,826,265
Net securities commission income	10,745	8,478
Gross interest income	3,595	3,521
Other income <sup>1f</sup>	43,199	40,580
Net profit on proprietary trading	3,995	4,781
<b>Total income</b>	<b>61,534</b>	<b>57,360</b>
Total overheads and interest expense	(52,906)	(52,731)
<b>Net profit for the period (+86.4%)</b>	<b>8,628</b>	<b>4,629</b>
Remarks:		
1a Figures reported by an overseas incorporated licensed corporation which carries out its principal business activities outside Hong Kong and operates in Hong Kong as a branch office are excluded.		
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 Average collateral coverage represents the number of times the aggregate market value of securities collateral deposited by margin clients over the total amount of margin loan due from these clients on a given date on an industry-wide basis:		
	<u>As at 30/6/2013</u>	<u>As at 31/12/2012</u>
	3.7 times	4.2 times
1d Cash in hand and at bank includes \$119,791 million in trust monies held on behalf of clients (31/12/2012: \$127,378 million).		
1e Total value of transactions includes trading in equities, bonds and other securities in Hong Kong and overseas.		
1f Other income includes inter-company management fee income, asset management fees, advisory fees, underwriting fees and corporate finance income.		
Sources: 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 each of the three categories<sup>2a</sup> of SEHK participants for the half year ended 30 June 2013 (\$ mn)**

	Category A		Category B		Category C		All SEHK Participants	
	H1 2013	H2 2012	H1 2013	H2 2012	H1 2013	H2 2012	H1 2013	H2 2012
Total value of transactions <sup>2b</sup>	10,591,576	8,696,297	6,844,795	4,998,494	3,302,211	2,514,534	20,738,582	16,209,325
Net securities commission income	2,471	2,234	3,446	2,753	2,095	1,612	8,012	6,599
Gross interest income	368	413	1,294	1,101	1,221	1,251	2,883	2,765
Other income	6,171	6,685	3,457	1,725	2,945	2,440	12,573	10,850
Net profit/(loss) on proprietary trading	79	125	75	132	15	1,051	169	1,308
<b>Total income</b>	<b>9,089</b>	<b>9,457</b>	<b>8,272</b>	<b>5,711</b>	<b>6,276</b>	<b>6,354</b>	<b>23,637</b>	<b>21,522</b>
Total overheads and interest expense	(6,695)	(8,068)	(5,525)	(5,383)	(5,754)	(5,601)	(17,974)	(19,052)
<b>Net profit / (loss) for the period</b>	<b>2,394</b>	<b>1,389</b>	<b>2,747</b>	<b>328</b>	<b>522</b>	<b>753</b>	<b>5,663</b>	<b>2,470</b>

Remarks:

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

Sources: 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.