



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 2015



Executive Summary

The total net profits of all securities dealers and securities margin financiers¹ for 2015 was \$43.2 billion², up 62% from 2014. The growth was mainly attributable to an increase in net securities commission income, due to higher transaction volumes, and other income.

In 2015, the total value of transactions of all securities dealers and securities margin financiers increased by 46%. Average daily turnover on The Stock Exchange of Hong Kong Limited (SEHK) stood at \$105.6 billion³, up 52% from 2014. On 31 December 2015, the Hang Seng Index closed at 21,914, 7% lower than its close at the end of the previous year.

In respect of SEHK participants, Category A, Category B and Category C brokerages reported total net profits of \$5.2 billion, \$7.3 billion and \$6.8 billion respectively.

At the end of 2015, outstanding margin loans totalled \$145.3 billion, 30% higher than at the end of 2014. The 20 largest providers of securities margin financing collectively accounted for 75% of the industry's total outstanding margin loans. Average collateral coverage (as defined in remark 1c in Table 1) was 4.4 times at the end of 2015.

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 year ended 31 December 2015.

Table 1 Statistical information and financial position of securities dealers and securities margin financiers^{1a}		
	31/12/2015	31/12/2014
Total number of securities dealers and securities margin financiers	1,002	951
Total number of active cash clients ^{1b}	1,259,868	1,157,599
Total number of active margin clients ^{1b}	241,948	181,593
Balance sheet (\$ million)		
Cash in hand and at bank ^{1d}	429,002	341,124
Amounts receivable from margin clients	145,307	111,549
Amounts receivable from clients and other dealers arising from dealing in securities	139,869	197,043
Proprietary positions	170,125	219,491
Other assets	205,673	211,338
Total assets	1,089,976	1,080,545

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, figures given in the 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)

	31/12/2015	31/12/2014
Balance sheet (\$ million) (cont'd)		
Amounts payable to clients and other dealers arising from dealing in securities	466,208	470,507
Total borrowings from financial institutions	111,265	119,060
Short positions held for own account	61,198	94,473
Other liabilities	146,989	144,626
Total shareholders' funds	304,316	251,879
Total liabilities and shareholders' funds	1,089,976	1,080,545
	2015	2014
Profit and loss (\$ million)		
Total value of transactions ^{1e}	84,787,467	57,970,022
Net securities commission income	28,656	21,179
Gross interest income	12,203	9,421
Other income ^{1f}	106,044	94,071
Net profit on proprietary trading	16,799	11,223
Total income (+20%)	163,702	135,894
Total overheads and interest expense	(120,499)	(109,281)
Net profit (+62%)	43,203	26,613
Remarks:		
1a Excludes figures reported by an overseas incorporated licensed corporation that carries out its principal business activities outside Hong Kong and operates in Hong Kong as a branch office.		
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 covers the total amount of margin loan due from these clients on a given date on an industry-wide basis:		
	<u>As at 31/12/2015</u>	<u>As at 31/12/2014</u>
	4.4 times	4.2 times
1d Cash in hand and at bank includes trust monies held on behalf of clients totalling \$225,099 million (31/12/2014: \$164,813 million).		
1e Total value of transactions includes trading in equities, bonds and other securities in Hong Kong and overseas.		
1f 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^{2a} by category for the year ended 31 December 2015 (\$ million)

	Category A		Category B		Category C		All SEHK Participants	
	2015	2014	2015	2014	2015	2014	2015	2014
Total value of transactions ^{2b}	29,761,631	20,970,014	24,449,821	15,517,944	10,933,490	7,549,944	65,144,942	44,037,902
Net securities commission income	4,859	3,830	10,317	7,367	7,346	5,067	22,522	16,264
Gross interest income	990	824	5,571	4,069	4,371	3,161	10,932	8,054
Other income	9,684	9,175	8,278	8,856	7,886	7,255	25,848	25,286
Net profit on proprietary trading	344	357	326	439	2,563	1,842	3,233	2,638
Total income	15,877	14,186	24,492	20,731	22,166	17,325	62,535	52,242
Salary and staff benefits	(3,887)	(5,154)	(7,247)	(5,774)	(6,731)	(6,525)	(17,865)	(17,453)
Other overheads and interest expense	(6,831)	(6,167)	(9,940)	(8,616)	(8,672)	(7,487)	(25,443)	(22,270)
Net profit	5,159	2,865	7,305	6,341	6,763	3,313	19,227	12,519

Remarks:

2a. SEHK participants are classified into Category A, Category B and Category C on the basis of their monthly turnover on SEHK. Category A SEHK 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 in benchmarking, research analysis or other purposes. Observations made here should not be taken as definitive market commentaries.