



**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 2020

## Executive Summary

The total net profits of all securities dealers and securities margin financiers<sup>1</sup> for 2020 were \$47.6 billion<sup>2</sup>, up 89% from 2019. The growth was mainly attributable to increases in net securities commission income, net profit on proprietary trading and other income.

In 2020, the total value of transactions of all securities dealers and securities margin financiers increased by 51%. Average daily turnover on The Stock Exchange of Hong Kong Limited (SEHK) was \$129.5 billion<sup>3</sup>, up 49% from 2019. As of the end of 2020, the Hang Seng Index closed at 27,231, 3% 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 \$4.9 billion, \$10.2 billion and \$3.6 billion, respectively. The net profits of all SEHK participants totalled \$18.7 billion, up 74% from 2019.

At the end of 2020, outstanding margin loans totalled \$201.9 billion, 22% higher than the end of 2019. The 20 largest providers of securities margin financing collectively accounted for 79% of the industry's total outstanding margin loans. The total number of active margin clients increased 144% to 1.5 million from end-2019. Average collateral coverage (as defined in remark 1a in Table 1) was 4.6 times at the end of 2020.

Table 1 below summarises statistical and financial information 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 2020.

<b>Table 1 Statistical information and financial position of securities dealers and securities margin financiers</b>		
	<b>31/12/2020</b>	<b>31/12/2019</b>
Total number of securities dealers and securities margin financiers	1,391	1,379
Total number of active cash clients <sup>1b</sup>	1,737,281	1,423,007
Total number of active margin clients <sup>1b</sup>	1,470,396	601,842
<b>Balance sheet (\$ million)</b>		
Cash in hand and at bank <sup>1c</sup>	640,379	505,627
Amounts receivable from margin clients	201,916	165,919
Amounts receivable from clients and other dealers arising from dealing in securities	333,878	186,361
Proprietary positions	212,763	133,663
Other assets	423,539	331,341
<b>Total assets</b>	<b>1,812,475</b>	<b>1,322,911</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)**

	31/12/2020	31/12/2019
<b>Balance sheet (\$ million) (cont'd)</b>		
Amounts payable to clients and other dealers arising from dealing in securities	877,314	580,610
Total borrowings from financial institutions	156,267	119,934
Short positions held for own account	78,572	47,175
Other liabilities	234,265	159,784
Total shareholders' funds	466,057	415,408
<b>Total liabilities and shareholders' funds</b>	<b>1,812,475</b>	<b>1,322,911</b>
	<b>2020</b>	<b>2019</b>
<b>Profit and loss (\$ million)</b>		
Total value of transactions <sup>1d</sup> (+51%)	129,651,195	85,831,384
Net securities commission income	28,374	19,901
Gross interest income	19,493	23,172
Other income <sup>1e</sup>	150,159	118,809
Net profit on proprietary trading	16,649	13,201
<b>Total income (+23%)</b>	<b>214,675</b>	<b>175,083</b>
Total overheads and interest expense	(167,122)	(149,920)
<b>Net profit (+89%)</b>	<b>47,553</b>	<b>25,163</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 31/12/2020</u>	<u>As at 31/12/2019</u>
	4.6 times	3.9 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 \$437,280 million in trust monies held on behalf of clients (31/12/2019: \$288,016 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 2020 (\$ million)**

	Category A		Category B		Category C		All SEHK Participants	
	2020	2019	2020	2019	2020	2019	2020	2019
Total value of transactions <sup>2b</sup>	50,931,276	30,424,101	40,403,646	26,371,475	15,341,637	13,769,553	106,676,559	70,565,129
Net securities commission income	5,865	3,727	11,702	7,823	6,110	4,614	23,677	16,164
Gross interest income	2,679	3,154	7,435	7,326	7,817	9,085	17,931	19,565
Other income	11,751	10,608	12,508	9,564	13,619	11,956	37,878	32,128
Net profit on proprietary trading	433	419	2,333	568	1,043	419	3,809	1,406
<b>Total income</b>	<b>20,728</b>	<b>17,908</b>	<b>33,978</b>	<b>25,281</b>	<b>28,589</b>	<b>26,074</b>	<b>83,295</b>	<b>69,263</b>
Salary and staff benefits	(4,321)	(3,522)	(7,628)	(6,348)	(9,139)	(9,340)	(21,088)	(19,210)
Other overheads and interest expense	(11,551)	(9,749)	(16,159)	(14,921)	(15,819)	(14,625)	(43,529)	(39,295)
<b>Net profit</b>	<b>4,856</b>	<b>4,637</b>	<b>10,191</b>	<b>4,012</b>	<b>3,631</b>	<b>2,109</b>	<b>18,678</b>	<b>10,758</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 in benchmarking, research analysis or other purposes. Observations made here should not be taken as definitive market commentaries.