



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 2015



Executive Summary

In the first half of 2015, the net profit of all securities dealers and securities margin financiers¹ totalled \$26.8 billion², up 63.9% from the previous six months. The growth was mainly attributable to increases in net securities commission income (driven by higher transaction volumes), net profit on proprietary trading and other income.

The total value of transactions of all securities dealers and securities margin financiers increased by 50.9% in the first half of 2015. Average daily turnover on The Stock Exchange of Hong Kong Limited (SEHK) stood at \$125.3 billion³, up 65.5% from the previous six months. The Hang Seng Index closed at 26,250 on 30 June 2015, up 11.2% as compared to its 23,605 close on 31 December 2014.

In respect of SEHK participants, net profit reported by Category A brokerages was \$3.3 billion while Category B and C brokerages each reported net profit of around \$5.7 billion.

At the end of June 2015, outstanding margin loans totalled \$168.9 billion, up 51.4% from the end of 2014. Average collateral coverage was 4.7 times.

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 2015.

Table 1 Statistical information and financial position of securities dealers and securities margin financiers^{1a}		
	30/6/2015	31/12/2014
Total number of securities dealers and securities margin financiers	960	951
Total number of active cash clients ^{1b}	1,244,240	1,157,599
Total number of active margin clients ^{1b}	220,421	181,593
Balance sheet (\$ million)		
Cash in hand and at bank ^{1d}	435,672	341,124
Amounts receivable from margin clients	168,857	111,549
Amounts receivable from clients and other dealers arising from dealing in securities	348,384	197,043
Proprietary positions	241,270	219,491
Other assets	251,683	211,338
Total assets	1,445,866	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 provided in this report are denominated in Hong Kong dollars.

³ 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)

	30/6/2015	31/12/2014
Balance sheet (\$ million) (cont'd)		
Amounts payable to clients and other dealers arising from dealing in securities	692,968	470,507
Total borrowings from financial institutions	188,365	119,060
Short positions held for own account	83,302	94,473
Other liabilities	190,517	144,626
Total shareholders' funds	290,714	251,879
Total liabilities and shareholders' funds	1,445,866	1,080,545
	Six months to 30/6/2015	Six months to 31/12/2014
Profit and loss (\$ million)		
Total value of transactions ^{1e}	47,762,028	31,645,924
Net securities commission income	16,548	11,806
Gross interest income	5,879	4,947
Other income ^{1f}	55,308	51,941
Net profit on proprietary trading	9,258	6,580
Total income	86,993	75,274
Total overheads and interest expense	(60,199)	(58,930)
Net profit	26,794	16,344

Remarks:

- 1a Excludes 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.
- 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 30/6/2015</u> | <u>As at 31/12/2014</u> |
| 4.7 times | 4.2 times |
- 1d Cash in hand and at bank includes \$233 billion in trust monies held on behalf of clients (31/12/2014: \$165 billion).
- 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.

Source: Monthly financial returns submitted to the Securities and Futures Commission by 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 SEHK participants^{2a} by category for the half year ended 30 June 2015 (\$ million)

	Category A		Category B		Category C		All SEHK Participants	
	1H 2015	2H 2014	1H 2015	2H 2014	1H 2015	2H 2014	1H 2015	2H 2014
Total value of transactions ^{2b}	16,688,094	11,253,157	13,724,741	8,839,971	7,051,990	4,104,507	37,464,825	24,197,635
Net securities commission income	2,637	2,009	6,383	4,135	4,177	2,787	13,197	8,931
Gross interest income	510	424	2,819	2,305	1,889	1,560	5,218	4,289
Other income	5,583	5,236	3,931	4,774	5,069	3,600	14,583	13,610
Net profit on proprietary trading	200	207	347	312	2,173	1,603	2,720	2,122
Total income	8,930	7,876	13,480	11,526	13,308	9,550	35,718	28,952
Total overheads and interest expense	(5,652)	(5,742)	(7,758)	(7,893)	(7,614)	(7,683)	(21,024)	(21,318)
Net profit	3,278	2,134	5,722	3,633	5,694	1,867	14,694	7,634

Remarks:

2a. SEHK participants are classified into Categories A, B and 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.