



**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 2022

Executive Summary

The total net profits of all securities dealers and securities margin financiers¹ for 2022 was \$22.9 billion², down 65% from 2021. Net securities commission income, net profit on proprietary trading and other income were the main categories contributing to the decline.

Average daily turnover on The Stock Exchange of Hong Kong Limited (SEHK) in 2022 was \$124.9 billion³, down 25% from 2021. As of the end of 2022, the Hang Seng Index closed at 19,781, 15% lower than its close on 31 December 2021.

In respect of SEHK participants, brokerages in Categories A and B reported net profits of \$4.1 billion and \$5.7 billion, respectively, whereas brokerages in Category C reported a net loss of \$4.2 billion. The net profits of all SEHK participants totalled \$5.6 billion, down 79% from 2021.

The total number of active margin clients increased 10% to 2.4 million from end-2021. Average collateral coverage (as defined in remark 1a in Table 1) was 4.2 times at the end of 2022. At the end of 2022, outstanding margin loans totalled \$152.1 billion, down 30% from a year ago. The 20 largest providers of securities margin financing collectively accounted for 81% of the industry's total outstanding margin loans.

Table 1 below summarises the 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 2022.

Table 1 Statistical information and financial position of securities dealers and securities margin financiers		
	31/12/2022	31/12/2021
Total number of securities dealers and securities margin financiers	1,439	1,433
Total number of active cash clients ^{1b}	2,203,172	1,939,379
Total number of active margin clients ^{1b}	2,446,852	2,219,721
Balance sheet (\$ million)		
Cash in hand and at bank ^{1c}	678,480	694,492
Amounts receivable from margin clients	152,062	218,436
Amounts receivable from clients and other dealers arising from dealing in securities	179,132	211,398
Proprietary positions	70,834	148,661
Other assets	371,941	385,566
Total assets	1,452,449	1,658,553

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: Hong Kong Exchanges and Clearing Limited.

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

	31/12/2022	31/12/2021
Balance sheet (\$ million) (cont'd)		
Amounts payable to clients and other dealers arising from dealing in securities	697,055	770,952
Total borrowings from financial institutions	72,890	98,429
Short positions held for own account	7,183	16,718
Other liabilities	191,923	244,242
Total shareholders' funds	483,398	528,212
Total liabilities and shareholders' funds	1,452,449	1,658,553
	2022	2021
Profit and loss (\$ million)		
Total value of transactions ^{1d} (-22%)	126,014,719	160,931,088
Net securities commission income	20,210	31,329
Gross interest income	23,044	19,394
Other income ^{1e}	144,131	166,746
Net profit on proprietary trading ^{1f}	6,211	21,397
Total income (-19%)	193,596	238,866
Total overheads and interest expense	(170,730)	(173,978)
Net profit (-65%)	22,866	64,888
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 31/12/2022</u>	<u>As at 31/12/2021</u>
	4.2 times	4.2 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 \$399,988 million in trust monies held on behalf of clients (31/12/2021: \$452,407 million).		
1d. Total value of transactions includes trading in equities, bonds and other securities in Hong Kong and overseas.		
1e. Other income mainly comprises inter-company management fee income, advisory fees, asset management fees, underwriting fees and corporate finance income.		
1f. The decrease in net profit on proprietary trading was mainly due to a reclassification to other income by a licensed corporation.		
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.		

Table 2 Financial performance of SEHK participants^{2a} by category for the year ended 31 December 2022 (\$ million)

	Category A		Category B		Category C		All SEHK Participants	
	2022	2021	2022	2021	2022	2021	2022	2021
Total value of transactions ^{2b}	54,775,638	66,961,544	34,855,644	49,095,999	12,174,948	15,731,788	101,806,230	131,789,331
Net securities commission income	3,906	7,014	8,085	12,345	3,888	6,639	15,879	25,998
Gross interest income	3,161	3,533	10,753	7,977	6,449	6,968	20,363	18,478
Other income	13,509	16,043	13,476	17,760	9,607	12,834	36,592	46,637
Net profit/(loss) on proprietary trading	159	232	934	2,553	(901)	360	192	3,145
Total income	20,735	26,822	33,248	40,635	19,043	26,801	73,026	94,258
Salary and staff benefits	(4,278)	(4,508)	(8,401)	(8,861)	(7,732)	(7,899)	(20,411)	(21,268)
Other overheads and interest expense	(12,372)	(14,848)	(19,118)	(17,185)	(15,481)	(13,581)	(46,971)	(45,614)
Net profit/(loss)	4,085	7,466	5,729	14,589	(4,170)	5,321	5,644	27,376

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.