



**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 half year ended 30 June 2023

## Executive Summary

In the first half of 2023, total net profits of all securities dealers and securities margin financiers<sup>1</sup> in Hong Kong rose to \$14.8 billion<sup>2</sup>, up 51% from the \$9.8 billion in the second half of 2022. The growth was driven by higher gross interest income amid interest rate hikes.

Average daily turnover on the Stock Exchange of Hong Kong Limited (SEHK) slightly increased to \$115.5 billion<sup>3</sup> during the first half of 2023, up 3% from the \$112.2 billion in the previous six months. The Hang Seng Index advanced to a 10-month high in January 2023 but retreated to 18,916 on 30 June 2023, down 4% from 31 December 2022.

For SEHK participants, brokerages in Categories A, B and C reported net profits of \$2.5 billion, \$3.3 billion and \$0.2 billion for the period, respectively. The net profits of all SEHK participants totalled \$6 billion, up 208% from the previous six months.

As of 30 June 2023, outstanding margin loans totalled \$160.8 billion, 6% higher than 31 December 2022. The 20 largest providers of securities margin financing collectively accounted for 83% of the industry's total outstanding margin loans. Average collateral coverage<sup>4</sup> remained unchanged at 4.2 times as of 30 June 2023.

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 half year ended 30 June 2023.

<b>Table 1 Statistical information and financial position of securities dealers and securities margin financiers</b>		
	<b>30/6/2023</b>	<b>31/12/2022</b>
Total number of securities dealers and securities margin financiers	1,402	1,439
Total number of active cash clients <sup>1b</sup>	2,190,143	2,203,172
Total number of active margin clients <sup>1b</sup>	2,477,724	2,446,852
<b>Balance sheet (\$ million)</b>		
Cash in hand and at bank <sup>1c</sup>	611,591	678,480
Amounts receivable from margin clients	160,819	152,062
Amounts receivable from clients and other dealers arising from dealing in securities	199,452	179,132
Proprietary positions	72,505	70,834
Other assets	352,799	371,941
<b>Total assets</b>	<b>1,397,166</b>	<b>1,452,449</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, the figures provided in this report are denominated in Hong Kong dollars.

<sup>3</sup> Source: Hong Kong Exchanges and Clearing Limited.

<sup>4</sup> As defined in remark 1a in Table 1.

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

	<b>30/6/2023</b>	<b>31/12/2022</b>
<b>Balance sheet (\$ million) (cont'd)</b>		
Amounts payable to clients and other dealers arising from dealing in securities	679,832	697,055
Total borrowings from financial institutions	41,197	72,890
Short positions held for own account	2,991	7,183
Other liabilities	187,463	191,923
Total shareholders' funds	485,683	483,398
<b>Total liabilities and shareholders' funds</b>	<b>1,397,166</b>	<b>1,452,449</b>
	<b>Six months to 30/6/2023</b>	<b>Six months to 31/12/2022</b>
<b>Profit and loss (\$ million)</b>		
Total value of transactions <sup>1d</sup> (-2%)	55,494,159	56,504,804
Net securities commission income	9,105	9,181
Gross interest income	19,268	14,956
Other income <sup>1e</sup>	69,284	69,593
Net profit on proprietary trading	2,002	2,465
<b>Total income (+4%)</b>	<b>99,659</b>	<b>96,195</b>
Total overheads and interest expense	(84,881)	(86,415)
<b>Net profit (+51%)</b>	<b>14,778</b>	<b>9,780</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 30/6/2023</u>	<u>As at 31/12/2022</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 \$376,960 million in trust monies held on behalf of clients (31/12/2022: \$399,988 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.		
<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 half year ended 30 June 2023 (\$ million)**

	Category A		Category B		Category C		All SEHK Participants	
	1H 2023	2H 2022	1H 2023	2H 2022	1H 2023	2H 2022	1H 2023	2H 2022
Total value of transactions <sup>2b</sup>	24,530,535	24,489,166	15,438,932	15,678,387	6,340,721	5,738,569	46,310,188	45,906,122
Net securities commission income	1,805	1,672	3,454	3,553	1,826	1,773	7,085	6,998
Gross interest income	2,880	1,986	9,251	7,432	4,109	3,623	16,240	13,041
Other income	6,842	6,686	5,710	6,782	4,183	4,494	16,735	17,962
Net profit/(loss) on proprietary trading	161	59	635	251	306	(628)	1,102	(318)
<b>Total income</b>	<b>11,688</b>	<b>10,403</b>	<b>19,050</b>	<b>18,018</b>	<b>10,424</b>	<b>9,262</b>	<b>41,162</b>	<b>37,683</b>
Salary and staff benefits	(2,369)	(2,105)	(4,279)	(3,987)	(3,697)	(4,047)	(10,345)	(10,139)
Other overheads and interest expense	(6,778)	(6,088)	(11,504)	(11,223)	(6,499)	(8,276)	(24,781)	(25,587)
<b>Net profit/(loss)</b>	<b>2,541</b>	<b>2,210</b>	<b>3,267</b>	<b>2,808</b>	<b>228</b>	<b>(3,061)</b>	<b>6,036</b>	<b>1,957</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 for benchmarking, research analysis or other purposes. Observations made here should not be taken as definitive market commentaries.