

SECURITIES INDUSTRY JUNE 2021 QUARTERLY SUMMARY

Overview

This section provides information on the securities industry for the quarter ended June 2021

Market Intermediaries

The Financial Services Commission (FSC) had registered forty-six (46) intermediaries¹ to operate in Jamaica as at June 30, 2021. The analysis will concentrate on twenty-nine (29) securities dealer businesses whose primary activity is dealing in securities out of the forty-six (46) regulated intermediaries.

Aggregate balance sheet assets as at the end of June 2021 stood at J\$780.3 billion, reflecting a 3.9 per cent increase over March 2021 quarter and a 16.8 per cent growth over June 2020 levels. Total assets were supported by a capital base of J\$131.9 billion, a growth of 3.3 per cent from the J\$127.7 billion reported for the previous quarter. When compared to the corresponding period last year, capital base recorded a 25.3 per cent increase moving from J\$ 105.3 billion as at June 30, 2020. The changes in both capital and total balance sheet assets indicated a modest increase in market business operations for the June 2021 quarter (See Table 1).

Quarter over quarter, both capital ratios saw a slight decrease despite the uptick in business activities. The Capital to Risk Weighted Asset Ratio (CAR) and the Capital to Total Assets Ratio (C/TA) both fell by 0.1 percentage point, respectively. Year over year, however, while the average CAR remained constant at 22.3 per cent, the C/TA stood at 16.9 per cent; a 1.1 percentage points increase when compared to June 2020 (see Table 2).

Total funds under management (FUM)² was approximately J\$1.42 trillion as at June 30, 2021. This represented a growth of 7.9 per cent and 3.8 per cent when compared to the previous year and quarter respectively (see table 1).

The securities firms' aggregate total revenue (comprising of interest income and other income) of \$J18.6 billion was recorded for the second quarter of 2021, reflecting a 12.7 per cent increase quarter over quarter. Additionally, the figure reported for June 2021 represented a 66.1 per cent increase when compared to the June 2020 returns. The growth in total revenues stemmed from an increase in non-interest income (fees and commission, dividend incomes and capital gains) for June 2021 when compared to both the previous quarter and corresponding period of 2020,

Additionally, total expenses saw a quarter over quarter decrease of 0.9 per cent. This predominantly stemmed from a decrease in operating expenses which stood at J\$6.6 billion as at June 2021 (March 2021: J\$7.2 billion). Conversely, when compared to June 2020 levels, total

¹ These include investment advisors (individual and company) as well as individual dealers.

² This amount includes pension funds and CIS funds managed by core securities dealer companies

expenses rose throughout the reporting period. The uptick in total expenses was due primarily to the rise in operating expenses that accounts for 61 per cent of total expenses for June 2021.

As a result, net profit after tax increased by J\$3.9 billion or 195.0 per cent, moving from J\$2.0 billion in June 30, 2020 to J\$5.9 billion in June 30, 2021 (March 2021: J\$4.0 billion). This return led to a positive return on assets (“ROE”) of 4.5 per cent for the quarter ended June 2021 compared to 1.9 per cent for the corresponding period last year and a 3.1 per cent for the previous quarter (see Table 2).

Table 1: Statistical information of the Securities Firms, June 2020 to June 2021

As at	Jun 20 \$'B	Sep 20 \$'B	Dec 20 \$'B	Mar 21 \$'B	Jun 21 \$'B	%age Change between Jun'20 & Jun '21	%age Change between Mar '21 & Jun '21
Balance Sheet							
Total Assets	668.2	728.9	736.9	751.2	780.3	16.8	3.9
Total Liabilities	562.9	605.8	606.8	623.5	648.4	15.2	4.0
Total Capital	105.3	123.1	130.1	127.7	131.9	25.3	3.3
Total Repo Liabilities(including COPs)	464.8	480.4	490.7	516.4	550.5	18.4	6.6
Funds Under Management	1,316.81	1,348.70	1,375.00	1,367.95	1,420.30	7.9	3.8
Profit and loss							
Total Revenue	11.2	15.7	17.1	16.5	18.6	66.1	12.7
Non-Interest Income	4.7	9.7	10.7	10.0	11.3	140.4	13.0
Total Expense	8.4	9.2	10.0	11.0	10.9	29.8	-0.9
Total Interest Income	6.5	6.0	6.4	6.5	7.3	12.3	12.3
Total Interest Expense	4.0	3.8	3.7	3.9	4.3	7.5	10.3
Net Interest Income	2.4	2.2	2.6	2.6	3.0	25.0	15.4
Net Profit	2.0	6.1	4.2	4.0	5.9	195.0	47.5

Table 2: Selected Prudential Ratio for Securities Firms

Ratio	Jun 20	Sep 20	Dec 20	Mar 21	Jun 21	FSC Benchmark
Capital/Risk Weighted Asset	22.3%	28.7%	22.8%	22.4%	22.3%	≥ 14%
Capital/Total Assets	15.8%	16.9%	17.7%	17.0%	16.9%	≥ 6%
Return on Equity	1.90%	5.0%	3.2%	3.1%	4.5%	N/A