

SECURITIES INDUSTRY MARCH 2021 QUARTERLY SUMMARY

Overview

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

Market Intermediaries

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

Aggregate balance sheet assets stood at J\$751.2 billion at the end of March 2021, representing a 1.9 per cent rise over the December 2020 quarter and an 18.8 per cent increase over the comparable period in 2020. There was a slight decline in both balance sheet capital and funds under management (FUM)¹ as at March 2021 when compared to December 2020. The decrease in both capital and FUM showed that business activity in the market for the March 2021 quarter had slowed slightly. When compared to the corresponding period of last year, there was a 34.6 per cent increase in balance sheet capital while FUM grew by 1.4 per cent (see Table 1).

A general increase in the securities firms' repurchase agreement activities (Total Repo liabilities) was the biggest contributor to the expansion of the balance sheet of the select group. These values showed business confidence and market growth resilience, as seen in Table 1.

The movements in capital resulted in a modest reduction in the average capital ratios for the securities dealer companies when compared quarter over quarter. However, when compared year over year, the average capital ratios rose. Quarter over quarter, the Capital to Risk Weighted Asset Ratio (CAR) and the Capital to Total Assets Ratio (C/TA) both fell by 0.4 and 0.7 percentage points, respectively. When compared to the corresponding period of last year, both the CAR and C/TA increased by 2.8 and 2.0 percentage points respectively (See Table 2).

The aggregate total revenue (comprising interest income and other income) recorded by securities firms for March 2021 decreased by J\$0.6 million, or 3.5 per cent, quarter over quarter. In contrast, the amount recorded for March 2021 reflected a 94.1 per cent growth over the March 2020 figures. The revenue profile reveals that non-interest income decreased while net interest income remained constant quarter over quarter. Non-interest revenue and net interest income, on the other hand, surged by 194.1 per cent and 18.2 per cent, respectively, year on year. This is due in part to profits on foreign currency translation and repurchase agreements.

¹ This amount includes pension funds and CIS funds managed by core securities dealer companies

Furthermore, total expenses rose throughout the reporting period. This was mostly due to an increase in operational expenditures.

As a result, the securities firms' business operations remained profitable in the first three months of 2021. For March 2021, the industry recorded a net profit of J\$4.0 billion, a 4.8 per cent reduction quarter over quarter and a 13,433.3 per cent rise over March 2020 levels. This return resulted in a positive return on assets (ROE) of 3.1% for March 2021, compared to -0.03% for the corresponding period last year (See Table 2).

As at	Mar 20 \$'B	Jun 20 \$'B	Sep 20 \$'B	Dec 20 \$'B	Mar 21 \$'B	%age Change between Mar'20 & Mar '21	%age Change between Dec '20 & Mar '21
Balance Sheet							
Total Assets	632.4	668.2	728.9	736.9	751.2	18.8	1.9
Total Liabilities	537.5	562.9	605.8	606.8	623.5	16.0	2.8
Total Capital	94.9	105.3	123.1	130.1	127.7	34.6	-1.8
Total Repo Liabilities(including COPs)	419.5	464.8	480.4	490.7	516.4	23.1	5.2
Funds Under Management							
Funds Under Management	1,349.48	1,337.16	1,348.70	1,375.00	1,367.95	1.4	-0.5
Profit and loss							
Total Revenue	8.5	11.2	15.7	17.1	16.5	94.1	-3.5
Non-Interest Income	3.4	4.7	9.7	10.7	10.0	194.1	-6.5
Total Expense	10.2	8.4	9.2	10.0	11.0	7.8	10.0
Total Interest Income	5.5	6.5	6.0	6.4	6.5	18.2	1.6
Total Interest Expense	3.2	4.0	3.8	3.7	3.9	21.9	5.4
Net Interest Income	2.2	2.4	2.2	2.6	2.6	18.2	0.0
Net Profit	-0.03	2.0	6.1	4.2	4.0	-13433.3	-4.8

Ratio	Mar 20	Jun 20	Sep 20	Dec 20	Mar 21	FSC Benchmark
Capital/Risk Weighted Asset	19.6%	22.3%	28.7%	22.8%	22.4%	≥ 14%
Capital/Total Assets	15.0%	15.8%	16.9%	17.7%	17.0%	≥ 6%
Return on Equity	-0.03%	1.90%	5.0%	3.2%	3.1%	N/A