

## OVERVIEW OF THE SECURITIES INDUSTRY

As at June 30, 2017, there were 43 licensed securities dealers. Of these 43 licensed dealers, the analysis will focus on 33 securities firms whose core business is dealing in securities.

Total repo liabilities declined by 4.8 per cent for the quarter ended June 30, 2017 when compared to the amount seen as at December 31, 2016. This was also evident in the intermediation ratio declining by 2.2 percentage points from the amount recorded as at the end of December 31, 2016 (See table 2). While there was a reduction in repo liabilities, total funds under management (FUM) increased by 3.9 per cent for the report period. (See table 1).

The capital base of the securities industry increased. Balance sheet capital moved from \$77.8 billion as at June 30, 2016 to \$82.9 billion as at June 30, 2017, a \$5.1 billion or 6.6 per cent increase. Despite the increase in capital, the capital to risk weighted assets ratio (CAR) decreased from 20.7 per cent as at December 31, 2016, to 19.6 per cent as at June 30, 2017, representing a 1.1 percentage point decrease. (See table 2).

During the April-June 2017 quarter, there was an increase in reported revenue for the securities dealers. Total industry revenue for the June 2017 quarter stood at \$13 billion compared to \$12.5 billion for the corresponding period in 2016; a 3.9 per cent increase. However, the industry recorded a 42.4 per cent decline in net profit for the reporting period. This decline in net profit was due to an increase in total expense of \$1.8 billion or 24.7 per cent (see table 1).

As at	Jun 16 \$'B	Sept 16 \$'B	Dec 16 \$'B	Mar 17 \$'B	Jun 17 \$'B	%age Change between Dec '16 & Jun '17
<b>Balance Sheet</b>						
Total Assets	555.053	578.8	550.4	555.8	584.6	6.2
Total Liabilities	477.453	496.9	472.6	475.5	501.7	6.2
Total Capital	77.6	81.9	77.8	80.3	82.9	6.6
Funds Under Management	981.2	1,116	1,107.1	1,136.9	1,150.8	3.9
Total Repo Liabilities	388.8	396	378.4	364.4	360.1	-4.8
<b>Profit and loss</b>						
Total Revenue	12.5	18.1	11.2	10.2	13.0	3.9
Total Expense	7.3	11.8	8.7	7.7	9.1	24.7
Total Interest Income	6.8	11.4	7.4	6.2	8.6	26.5
Total Interest Expense	3.9	6.6	4.4	3.7	5.5	41.0

Net Interest Income	2.8	4.8	3	2.5	3.1	10.7
Net Profit	3.3	4.7	2	1.9	1.9	-42.4

Table 2: Selected Prudential Ratio for Securities Firms						
Ratio	Jun 16	Sept 16	Dec 16	Mar 17	Jun 17	FSC Benchmark
Capital/Risk Weighted Asset	21.5%	21.0%	20.7%	20.4%	19.6%	≥ 10%
Capital/Total Assets	14.0%	14.1%	14.0%	14.4%	14.2%	≥ 6%
Intermediation Ratio	24.5%	22.3%	21.6%	21.2%	19.4%	≤ 50%