

## SECURITIES INDUSTRY MARCH 2018 QUARTERLY SUMMARY

### Overview

This section is divided into three (3) sub-sections namely Market Intermediaries, Collective Investment Schemes and Exempt Distributions and provides information on the securities industry for the quarter ended March 2018.

### Market Intermediaries

As at March 31, 2018, there were forty-one (41) securities dealer companies, three (3) individual dealers, two (2) investment adviser companies and two (2) individual investment advisers registered by the Financial Services Commission (FSC) to operate in Jamaica. Of these forty-eight (48) licensed intermediaries, the analysis will focus on thirty-one (31) securities dealer companies whose core business is dealing in securities.

The total balance sheet assets as at March 31, 2018 stood at J\$576.4 billion, a 3.4 per cent increase when compared to the previous quarter where assets amounted to J\$556.2 billion. A year over year comparison showed an improvement of 3.7 per cent where total assets increased from J\$557.3 billion as at March 31, 2017. Total assets were supported by a capital base of J\$83 billion, a decrease of 0.7 per cent from the J\$83.6 billion reported for the previous quarter. When compared to the corresponding period last year, capital base recorded a 3.1 per cent increase moving from J\$ 80.5 billion as at March 31, 2017.

The total value of on-balance sheet client liabilities primarily in the form of repurchase agreements that were used to finance these assets stood at J\$389.4 billion as at March 31, 2018; this represented a 1.8 per cent increase from the J\$382.5 billion reported in the previous quarter. Similarly, the movement for the last twelve (12) months was a more significant variance where, as at March 31, 2017 balance sheet client liabilities stood J\$364.4 billion; a 6.9 per cent increase year over year.

Despite the increase in on-balance sheet client liabilities, it represented a smaller portion of total funds under management (FUM)<sup>1</sup> was approximately J\$1.21 trillion as at March 31, 2018. This represented an increase of 6.18 per cent and 1.73 per cent when compared to the previous year and quarter respectively. There has been a general increase in FUM over the year arising from growth recorded primarily in off-balance sheet positions

For the 3-month period ended March 31, 2018, total revenue (comprising of interest income and other income) amounted to J\$11.6 billion and recorded a 4.1 per cent decline when compared to the December 2017 quarter which was primarily a result of an 18.3 per cent reduction in interest income. However, when compared to the corresponding period last year, total revenue grew by 13.7 per cent up from J\$10.2 billion. The annual growth in total revenue was driven by a 45 per cent increase non-interest income that accounted for approximately 50 per cent of total revenue for the March 2018 quarter. The growth in revenue accompanied by a reduction in expenses resulted in a 21.1 per cent improvement in net profit (see Table 1).

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<sup>1</sup> This amount includes pension funds and CIS funds managed by core securities dealer companies.

Table 1: Statistical information for Core Securities Dealers for the period March 2017 to March 2018							
As at	Mar 17 \$'B	Jun 17 \$'B	Sept 17 \$'B	Dec 17 \$'B	Mar 18 \$'B	%age Change between Mar '17 & Mar '18	%age Change between Dec '17 & Mar '18
<b>Balance Sheet</b>							
Total Assets	555.9	584.6	599.5	557.3	576.4	3.7	3.4
Total Liabilities	475.4	501.7	513.7	473.7	493.4	3.8	4.2
Total Capital	80.5	82.9	85.8	83.6	83	3.1	-0.7
Total Repo Liabilities( including COPs)	364.4	360.1	405.9	382.5	389.4	6.9	1.8
<b>Funds Under Management</b>							
Funds Under Management	1,137.4	1,150.8	1,161.6	1,186.5	1,234.6	8.5	4.1
<b>Profit and loss</b>							
	Mar 17 \$'B	Jun 17 \$'B	Sept 17 \$'B	Dec 17 \$'B	Mar 18 \$'B	%age Change between Mar '17 & Mar '18	%age Change between Dec '17 & Mar '18
Total Revenue	10.2	12.99	12.6	12.1	11.6	13.7	-4.1
Total Expense	7.8	9.1	8.0	7.7	7.1	-9.0	-7.8
Total Interest Income	6.2	8.6	6.6	7.1	5.8	-6.5	-18.3
Total Interest Expense	3.7	5.5	3.9	3.7	3.5	-5.4	-5.4
Net Interest Income	2.5	3.1	2.6	3.4	2.1	-16.0	-38.2
<b>Net Profit</b>	1.9	1.9	3.7	2.2	2.3	21.1	4.5

Table 2: Select Prudential Ratios for Core Securities Dealers						
Ratio	Mar 17	Jun 17	Sept 17	Dec 17	Mar 18	FSC's ETW Benchmark
Capital/Risk Weighted Assets	20.6%	19.6%	19.9%	18.6%	19.8%	≥ 14%
Capital/Total Assets	14.5%	14.2%	14.3%	15.0%	14.4%	≥ 6%

### **Collective Investment Schemes (CIS)**

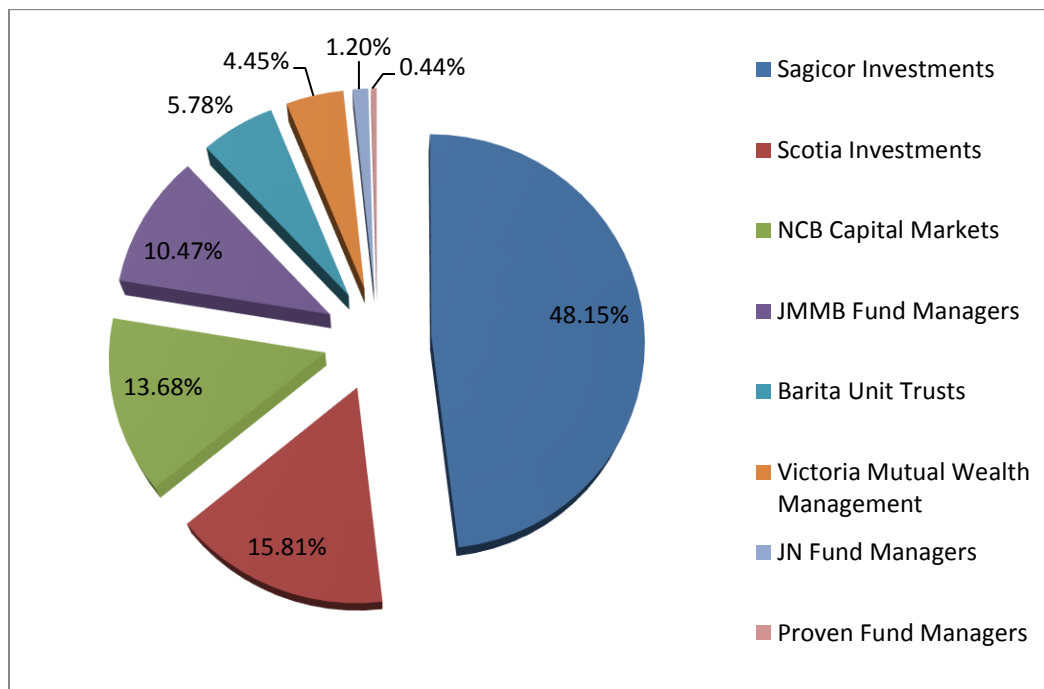
As at March 31, 2018, there were eighteen (18) local unit trusts, one (1) local mutual fund and ten (10) overseas mutual funds registered by the FSC for sale in Jamaica.

### Local CIS

Of the eighteen (18) approved local unit trusts, fifteen (15) have commenced operations and were being sold by eight (8) core securities dealers namely Sagicor Investments Limited, Scotia Investments Limited, NCB Capital Markets Limited, JMMB Fund Managers Limited, Barita Unit Trusts Management Company Limited, Victoria Mutual Wealth Management Limited, JN Fund Managers Limited and Proven Fund Managers Limited.

The combined FUM for the local CISs totalled J\$249.2<sup>2</sup> billion, which was a year over year increase of J\$60.2 billion or 31.85 per cent and a quarterly change of \$8 billion or 3.31 per cent. Sagicor Investment Jamaica Limited continued to dominate the local CIS market and accounted for 48.15 per cent of the total FUM.

**Chart 1 - Local CIS FUM Market Share**

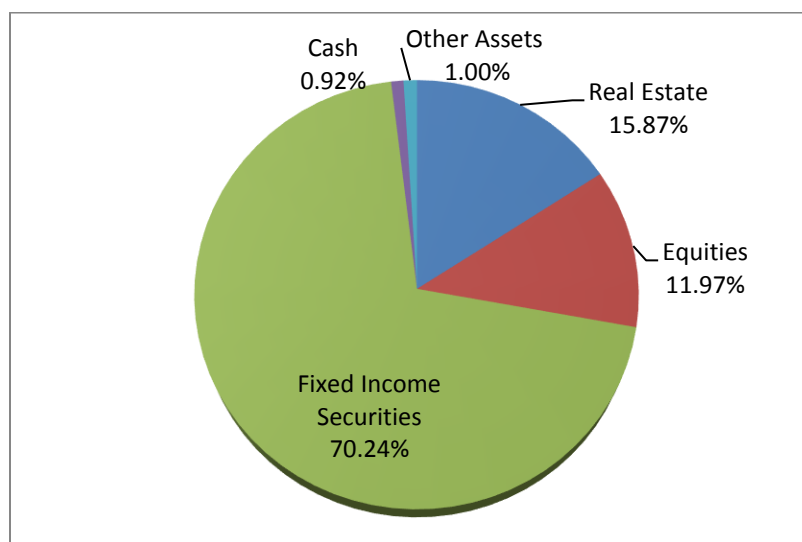


During the March 2018 quarter, combined purchases totalled J\$19.7 billion (Dec 2017: J\$41.9 billion) while combined redemptions totalled J\$13.7 billion (Dec 2017: J\$12.5 billion) resulting in net purchases of J\$6.0 billion (Dec 2017: J\$29.4 billion). Overall capital appreciation in the assets in the investment portfolios was J\$2.1 billion.

The funds for the local CIS were invested in three (3) main asset classes as at March 31, 2018 with fixed income securities amounting to 70.24% of the total assets.

<sup>2</sup> This amount is included in total FUM reported for market intermediaries.

**Chart 2 - Local CIS Asset Class Summary**



### Overseas CIS

Of the ten (10) overseas mutual funds sold to Jamaican; Scotiabank, Toronto manages five (5) mutual funds while the Caribbean Income Fund is managed by Scotia Investments Jamaica Limited. In addition, CI Investments manages four (4) funds which are broken down into forty-seven (47) sub-funds. As at March 31, 2018, the total investments attributable to Jamaican investors were US\$267 million and this amount was held by 10,127 investors. During the quarter, there was an overall increase of US\$4.4 million or 1.63 per cent while a year over year comparison shows that there was increase of US\$34 million or 14.54 per cent.

### Securities registered via Exempt Distribution Regime

As at March 31, 2018 there were 196 outstanding securities registered under the Exempt Distribution Guidelines by 83 Issuers. This represents an increase of 46 new securities issuances, as well 22 new issuers entering the market between the end of first quarter of 2018 and March 2017. Of the total securities issuances, over 90.82 per cent represented debt securities.

A total of fifteen (15) securities dealers acted as arrangers for the issuance of these securities. The total value of securities registered via exempt distribution that remained outstanding as at March 31, 2018 amounted to J\$280 billion, with Jamaican dollars denominated securities accounting for 60.96 per cent of the total.

**Table 2 – Outstanding Securities issued via Exempt Distribution Regime**

Outstanding Issues	As at Mar 2018	As at Mar 2017
<b>Total number of Issues</b>	<b>196</b>	<b>150</b>
Debt	178	139
Ordinary/Preference Shares	18	11
<b>JMD Securities</b>	<b>J\$'M</b>	<b>J\$'M</b>
Issued (J\$)	177,907	84,386
Amount Paid Down	7,485	1,489
<b>Outstanding (J\$)</b>	<b>170,422</b>	<b>82,897</b>
<b>USD Securities</b>	<b>US\$'M</b>	<b>US\$'M</b>
Issued	902	1044
Amount Paid Down	27	32
<b>Outstanding (US\$)</b>	<b>875</b>	<b>1,012</b>