

SECURITIES INDUSTRY MARCH 2019 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 2019.

Market Intermediaries

As at March 31, 2019, there were forty (40) 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 (47) licensed intermediaries, the analysis will focus on thirty-one (31) securities dealer companies whose core business is dealing in securities.

For the quarter which ended March 31, 2019, total balance sheet assets stood at J\$572.6 billion, a 2.1 per cent increase when compared to the previous quarter where assets amounted to J\$561.0 billion. A year over year comparison showed a decline of 0.4 per cent where total assets decreased from J\$574.9 billion as at March 31, 2018.

The resilience of the securities firms' capital base continued to be evident with aggregate total capital for securities firms standing at J\$90.0 billion as at March 31, 2019, an increase of 13.6 per cent from the J\$79.2 billion reported for the previous quarter. When compared to the corresponding period last year, capital base recorded an 8.4 per cent increase moving from J\$ 83.0 billion as at March 31, 2018. The increase in capital resulted in an improvement in the industry capital to total assets ratio. The ratio increased from 14.4 per cent as at March 31, 2018 to 15.7 per cent as at March 31, 2019, a growth of 1.3 percentage points. Similarly, the capital to risk weighted assets ratio (CAR) increased from 19.8 per cent as at end March 2018, to 24.9 per cent as at end March 2019, representing a 25.7 percentage point increase (see table 2).

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\$397.0 billion as at March 31, 2019; this represented a 4.2 per cent decline from the J\$414.3 billion reported in the previous quarter. Similarly, the movement for the last twelve (12) months was 7.1 per cent decrease year over year.

Total funds under management (FUM)¹ was approximately J\$1.17 trillion as at March 31, 2019. This represented a decrease of 3.1 per cent and 4.8 per cent when compared to the previous year and quarter respectively.

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

For the 3-month period ended March 31, 2019, the securities firms aggregate total revenue (comprising of interest income and other income) amounted to J\$10.5 billion (March 2018: J\$11.6 billion) and represented a 9.5 per cent decrease over the corresponding period last year. Nonetheless, total revenue exceeded total expenses which resulted in an 8.7 per cent increase in net profit after tax over the comparative period of 2018 (see Table 1).

Table 1: Statistical information of the Securities Firms, March 2018 to March 2019							
As at	Mar 18 \$'B	Jun 18 \$'B	Sep 18 \$'B	Dec 18 \$'B	Mar 19 \$'B	%age Change between Mar '18 & Mar '19	%age Change between Dec '18 & Mar'19
Balance Sheet							
Total Assets	574.9	608.3	599.8	561.0	572.6	-0.4	2.1
Total Liabilities	492.0	526.6	515.0	481.8	482.6	-1.9	0.2
Total Capital	83.0	81.7	84.9	79.2	90.0	8.4	13.6
Total Repo Liabilities(including COPs)	389.6	422.9	410.3	373.8	373.2	-4.2	-0.2
Funds Under Management							
Funds Under Management	1,207.50	1,255.80	1,266.80	1,229.80	1,170.30	-3.1	-4.8
Profit and loss							
	Mar 18 \$'B	Jun 18 \$'B	Sept 18 \$'B	Dec 18 \$'B	Mar 19 \$'B	%age Change between Mar '18 & Mar '19	%age Change between Dec '18 & Mar'19
Total Revenue	11.6	11.7	14.5	13.3	10.5	-9.5	-21.1
Total Expense	7.1	7.5	9.1	9.6	8.1	14.1	-15.6
Total Interest Income	5.8	6	6.2	6.3	4.8	-17.2	-23.8
Total Interest Expense	3.5	3.5	3.5	3.3	3.0	-14.3	-9.1
Net Interest Income	2.1	2.5	2.7	3.0	1.9	-9.5	-36.7
Net Profit	2.3	2.3	4.7	2.6	2.5	8.7	-3.8

Table 2: Selected Prudential Ratio for Securities Firms						
Ratio	Mar 18	Jun 18	Sept 18	Dec 18	Mar 19	FSC Benchmark
Capital/Risk Weighted Asset	19.8%	18.4%	21.2%	20.8%	24.9%	≥ 14%
Capital/Total Assets	14.4%	13.4%	14.1%	14.1%	15.7%	≥ 6%

Collective Investment Schemes (CIS)

As at March 31, 2019, there were nineteen (19) local unit trusts, one (1) local mutual fund and ten (10) overseas mutual funds registered by the FSC for sale in Jamaica by eleven (11) licensed investment managers. Of the nineteen (19) approved local unit trusts, eighteen (18) have commenced operations which includes one new fund (Proven Non-Diversified Fund) that was registered and launched in the quarter under review. Stocks and Securities Limited Unit Trust Scheme, which was registered in January 2018, has not commenced operations.

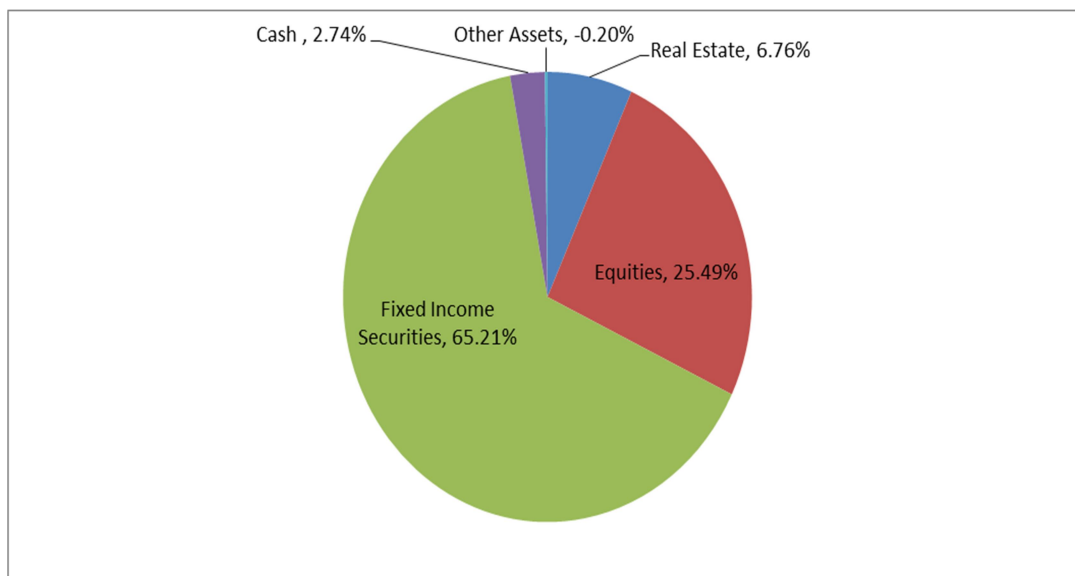
Local CIS

As at end March 31, 2019, the combined FUM for the local CISs totalled J\$295.6 billion, which was a year over year increase of J\$46.4 billion or 18.6 per cent. The FUM of J\$295.6 billion also represented a quarterly positive change of \$19.4 billion or an increase of 7.0 per cent.

Combined purchases during the March 2019 quarter totalled J\$32.5 billion (December 2018: J\$17.8) which suggests that fund managers are receiving additional investments from clients including those that are actively being transitioned from other products within the financial system. Combined redemptions totalled J\$30.4 billion (December 2018: J\$13.8 billion) resulting in net purchases of J\$1.9 billion (December 2018: net purchases of J\$3.9 billion).

The funds for the local CIS were invested in three (3) main asset classes as at March 31, 2019 with fixed income securities accounting for 65.2 per cent of the total assets (see Chart 1).

Chart 1: Local CIS Asset Class Summary



Overseas CIS

For the first three months of 2019, total investments attributable to Jamaican investors were US\$283.3 million reflecting a decline of US\$4.2 million when compared to the prior quarter. There was a year over year increase in the amounts held by Jamaican investors of US\$16.2 million or 6.6 per cent (see Table 3).

Table 3 - Overseas CIS sold in Jamaica

FUM March 2019 US\$ 'million	FUM Dec 2018 US\$ 'million	FUM March 2018 US\$ 'million	Quarterly Change in FUM	Annual Change in FUM	# of Jamaican Investors March 2019
283.3	287.5	267.0	-1.5%	8.76%	9,993

Securities registered via Exempt Distribution Regime

As at March 31, 2019, there were 258 outstanding securities registered under the Exempt Distribution Guidelines by 103 Issuers. This represents an increase of 25 new securities issuances over the previous quarter, and 61 new issuances over the previous year ended March 2018. A total of 4 new issuers entered the market since the last quarter; however that figure increased to 16 when compared to the same quarter last year. Of the total securities issuances, over 92% represented debt securities (see Table 4).

A total of 15 securities dealers acted as arrangers for the issuance of these securities. Of the 15 arrangers, there were 13 dealers that arranged securities on behalf of associated and/or related party companies. The total value of securities registered via exempt distribution that remained outstanding as at March 31, 2019 amounted to J\$382 billion, with Jamaican dollar denominated securities accounting for 73 per cent of the total.

Table 4 – Outstanding Securities issued via Exempt Distribution Regime

Outstanding Issues	As at Mar 2019	As at Feb 2019	As at Dec 2018	As at Mar 2018
Total number of Issues	258	239	233	197
Debt	239	220	214	180
Ordinary/Preference Shares	20	19	19	17
Total number of Issuers	103	99	99	87
Financial Institutions	12	12	12	11

Non-Financial Institutions	91	87	87	76
Total number of securities dealers acting as arrangers	15	15	14	15
JMD Securities Outstanding	J\$'M	J\$'M	J\$'M	J\$'M
Issued (J\$)	279,102	266,883	252,358	177,907
Amount Paid Down	1,625	1,602	1,617	7,486
Outstanding (J\$)	277,476	265,282	249,237	170,422
USD Securities Outstanding	US\$'M	US\$'M	US\$'M	US\$'M
Issued	857	833	833	894
Amount Paid Down	17	16	16	27
Outstanding (US\$)	840	817	817	867