

SECURITIES INDUSTRY DECEMBER 2019 QUARTERLY SUMMARY

Market Intermediaries

As at December 31, 2019, there were forty-six (46) licensed intermediaries comprising, three (3) individual dealers, two (2) investment adviser companies, two (2) individual investment advisers and thirty-nine (39) securities-dealer companies. Of the thirty-nine (39) securities-dealer companies, the analysis will focus on thirty (30) securities-dealer companies whose core business is dealing in securities.

The total balance sheet assets for the securities-dealer companies decreased by \$14.1 billion or 2.1 per cent to \$650.6 billion in December 2019 from the \$664.7 billion recorded as at end September 2019. The movement year over year in total assets for the dealers saw an increase of \$90.5 billion or 16.2 per cent. See Table 1. The annual change recorded in total assets was attributable to the general uptick in the balance sheet of securities dealers driven by the increase in the investments books and loan portfolios of major players.

Total assets were supported by a capital base of \$113.7 billion, an increase of 43.6 per cent from the \$79.2 billion reported for the corresponding period of last year. The increase in the capital base is in line with the general increase in the balance sheet of market players. When compared to the previous quarter, capital base of the securities dealers also grew by 2.5 per cent (see Table 1). Of note, the year over year improvement in capital base resulted in an uptick in both the industry's capital base to risk weighted asset ratio and capital to total assets ratio. When compared to the similar period of 2018, both the capital base to risk weighted asset and the capital to total assets increased by 2.1 percentage points and 3.4 percentage points respectively. See Table 2.

The total value of funds under management (FUM)¹ stood at \$1.35 trillion as at December 31, 2019 reflecting a 9.6 per cent growth over December 2018 and a 2.4 per cent growth over September 2019 levels.

For the three-month period ended December 31, 2019, total revenue (comprising of interest income and other income) amounted to \$14.6 billion; this represented a 9.8 per cent increase over the amount seen for the similar period of 2018 and 21.5 per cent decline when compared with the quarter ended September 30, 2019. As the dealers continued their transformation from relying on interest income as the main component of revenue, net interest income for the December 2019 quarter stood was \$2.0 billion, a 33.3 per cent drop from the amount recorded for the corresponding period in 2018.

Conversely, there was a positive movement in non-interest income (which includes fees and commissions, dividend incomes and capital gains) as it increased by \$2.7 billion or 38.6 per cent increase over the corresponding period last year. Meanwhile, aggregate total expenses declined to \$7.4 billion for the December 2019 quarter from the \$9.6 billion seen in the December 2018 quarter. With total revenue increasing and total expenses declining, net profit after tax increased by J\$1.9 billion or 73.1 per cent, moving from J\$2.6 billion in December 31,

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

2018 to J\$4.5 billion in December 31, 2019. This resulted into a return on equity ("ROE") of 4.0 per cent for the quarter ended December 2019 compared to 3.3 per cent for the corresponding period last year.

Table 1: Statistical information of the Securities Firms, December 2018 to December 2019							
As at	Dec 18 \$'B	Mar 19 \$'B	Jun 19 \$'B	Sept 19 \$'B	Dec 19 \$'B	%age Change between Dec '18 & Dec '19	%age Change between Sept '19 & Dec '19
Balance Sheet							
Total Assets	560.1	572.6	617.2	664.7	650.6	16.2	-2.1
Total Liabilities	480.9	482.6	518.7	553.8	536.9	11.6	-3.1
Total Capital	79.2	90.0	98.5	110.9	113.7	43.6	2.5
Total Repo Liabilities(including COPs)	373.8	373.2	404.3	438.3	430.0	15.0	-1.9
Funds Under Management	1,228.10	1,170.30	1,266.70	1,314.20	1,346.10	9.6	2.4
Profit and loss	Dec 18 \$'B	Mar 19 \$'B	Jun 19 \$'B	Sept 19 \$'B	Dec 19 \$'B	%age Change between Dec '18 & Dec '19	%age Change between Sept '19 & Dec '19
Total Revenue	13.3	10.5	17.4	18.6	14.6	9.8	-21.5
Non-Interest Income	7.0	5.7	11.3	14.7	9.7	38.6	-34.0
Total Expense	9.6	8.1	8.5	6.3	7.4	-22.9	17.5
Total Interest Income	6.3	4.8	6.1	3.9	4.9	-22.2	25.6
Total Interest Expense	3.3	3.0	3.6	2.3	2.8	-15.2	21.7
Net Interest Income	3.0	1.9	2.6	1.6	2.0	-33.3	25.0
Net Profit	2.6	2.5	6.9	11.1	4.5	73.1	-59.5

Table 2: Selected Prudential Ratio for Securities Firms						
Ratio	Dec 18	Mar 19	Jun 19	Sept 19	Dec 19	FSC Benchmark
Capital/Risk Weighted Asset	20.8%	24.9%	22.2%	22.8%	22.9%	≥ 14%
Capital/Total Assets	14.1%	15.7%	16.0%	16.7%	17.5%	≥ 6%
Return on Equity	3.3%	2.8%	7.0%	9.9%	4.0%	N/A

Note: n/a – not applicable