

## SECURITIES INDUSTRY SEPTEMBER 2021 QUARTERLY SUMMARY

### Market Intermediaries for the quarter ended September 2021

There were forty-seven (47) securities intermediaries<sup>1</sup> registered and operating in Jamaica as at September 30, 2021. Of these 47 intermediaries, the analysis will concentrate on twenty-nine (29) securities dealers whose primary business activity is dealing in securities.

The total balance sheet assets at September 30, 2021 stood at \$817.0 billion, a 4.7 per cent increase when compared to the previous quarter where assets amounted to \$780.3 billion. A year over year comparison showed an improvement of 12.1 per cent where total assets climbed from \$728.9 billion as at September 30, 2020 (see Table 1).

Balance sheet capital as at end- September 2021 stood at \$148.9 billion, a growth of 12.9 per cent from the \$131.9 billion reported for the previous quarter. The major contributors to the improvement in capital were the rebounding of market prices on the investment assets portfolios. On a year-over-year (y-o-y) basis, there was a 21.0 per cent expansion in balance sheet capital. The Capital to Risk weighted asset ratio (CAR) and Capital to Total Assets ratio (CTA) improved by 2.2 percentage points and 1.3 percentage points respectively over the June 2021 quarter. When compared to the corresponding period of 2020, the CAR declined by 4.2 percentage points while the CTA rose by 1.3 percentage points (See Table 2).

Total funds under management (FUM) was \$1.53 trillion as at September 30, 2021, representing a \$110.6 billion or 7.8 per cent growth over the June 2021 quarter. The year-over-year comparison saw a 15.5 per cent increase in FUM as at September 2021 arising from growth recorded primarily in off-balance sheet positions (see Table 1).

There was a \$1.7 million or 10.8 per cent year over year growth in combined total revenues (comprising of interest income and other income) reported for September 2021. This uptick was due primarily to an increase in aggregate interest income which accounted for 43.7 per cent of total revenue for the September 2021 quarter. However, the combined total revenue for September 2021 represented a 6.5 per cent decrease when compared to the amount recorded in June 2021.. The reduction in revenues stemmed predominantly from a fall-off in non-interest income quarter-over-quarter. Aggregate total expenses it grew by J\$ 1.7 billion or 18.5 per cent when compared to the corresponding period of 2020, it remained unchanged quarter over quarter.,.

Consequently, the 29 dealers reported a combined net loss of J\$1.2 billion for the September 2021 quarter reflecting a 120.3 per cent decline from the June 2021 and a 119.7 per cent decline from the September 2020 levels. This resulted into a return on equity ("ROE") of -0.8 per cent for

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<sup>1</sup> (39) securities dealers (companies), (3) individual dealers, (2) investment adviser companies, (2) individual investment advisers

the quarter ended September 2021 compared to 5.0 per cent for the corresponding period last year and a 4.5 per cent for the June 2021 quarter (see Table 2).

Table 1: Statistical information of the Securities Firms, September 2020 to September 2021							
As at	Sep 20 \$'B	Dec 20 \$'B	Mar 21 \$'B	Jun 21 \$'B	Sep 21 \$'B	%age Change between Sep'20 & Sep '21	%age Change between Jun '21 & Sep '21
<b>Balance Sheet</b>							
Total Assets	728.9	736.9	751.2	780.3	817.0	12.1	4.7
Total Liabilities	605.8	606.8	623.5	648.4	668.1	10.3	3.0
Total Capital	123.1	130.1	127.7	131.9	148.9	21.0	12.9
Total Repo Liabilities (including COPs)	480.4	490.7	516.4	550.5	559.2	16.4	1.6
Funds Under Management	1,325.80	1,375.00	1,367.95	1,420.30	1,530.90	15.5	7.8
<b>Profit and loss</b>	<b>Sep 20 \$'B</b>	<b>Dec 20 \$'B</b>	<b>Mar 21 \$'B</b>	<b>Jun 21 \$'B</b>	<b>Sep 21 \$'B</b>	<b>%age Change between Sep'20 &amp; Sep '21</b>	<b>%age Change between Jun '21 &amp; Sep '21</b>
Total Revenue	15.7	17.1	16.5	18.6	17.4	10.8	-6.5
Non-Interest Income	9.7	10.7	10.0	11.3	9.8	1.0	-13.3
Total Expense	9.2	10.0	11.0	10.9	10.9	18.5	0.0
Total Interest Income	6.0	6.4	6.5	7.3	7.6	26.7	4.1
Total Interest Expense	3.8	3.7	3.9	4.3	4.9	28.9	14.0
Net Interest Income	2.2	2.6	2.6	3.0	2.7	22.7	-10.0
<b>Net Profit</b>	6.1	4.2	4.0	5.9	-1.2	-119.7	-120.3

Table 2: Selected Prudential Ratio for Securities Firms						
Ratio	Sep 20	Dec 20	Mar 21	Jun 21	Sep 21	FSC Benchmark
Capital/Risk Weighted Asset	28.7%	22.8%	22.4%	22.3%	24.5%	≥ 14%
Capital/Total Assets	16.9%	17.7%	17.0%	16.9%	18.2%	≥ 6%
Return on Equity	5.0%	3.2%	3.1%	4.5%	-0.8%	N/A