

SECURITIES INDUSTRY MARCH 2022 QUARTERLY SUMMARY

MARKET INTERMEDIARIES

As at March 31, 2022, there were thirty-seven (37) companies licensed as securities dealers. Of these 37 companies, the analysis will concentrate on the thirty (30) companies whose primary activity is dealing in securities.¹

The combined total balance sheet assets at the end of the March 2022 quarter stood at \$856.6 billion, a 2.3 per cent increase when compared to the previous quarter (October to December 2021) where assets amounted to \$837 billion. A year over year comparison showed an improvement of 14 per cent where total assets grew from \$751 billion as at March 31, 2021. Aggregate funds under management (FUM) were \$1.6 trillion as at March 31, 2022, representing a \$39.5 billion or 2.4 per cent increase over the previous quarter. The year-over-year comparison saw a 19 per cent growth in FUM from the amount seen as at March 2021 arising from growth recorded primarily in balance sheet positions. See Table 1.

Table 1: Selected Indicators of the Core Securities Firms, March 2021 to March 2022							
Selected Indicators	Mar 21 \$'B	Jun 21 \$'B	Sep 21 \$'B	Dec 21 \$'B	Mar 22 \$'B	%age Change between Mar '21 & Mar '22	%age Change between Dec'21 & Mar '21
Total Assets	751.2	780.3	817	837	856.6	14	2.3
Total Liabilities	623.5	648.4	668.1	691.8	715.2	14.7	3.4
Total Capital	127.7	131.9	148.9	145.2	141.4	10.7	-2.6
Total Repo Liabilities (including COP) ²	516.4	550.5	559.2	560	511	-1	-8.75
FUM ³	1,367.95	1,420.30	1,530.90	1,588.29	1,627.34	19	2.4

The aggregate balance sheet capital at the end of the reporting period was \$141.4 billion, a decline of 2.6 per cent from the \$145.1 billion reported for the December 2021 quarter. On a year-over-year (y-o-y) basis, there was a 10.7 per cent increase in the total balance sheet capital for securities dealers. See Table 1. The average capital ratios for the securities dealers varied when compared to the previous quarter. For example, the Capital to Risk-weighted asset ratio (CAR) and Capital to Total Assets ratio (C/TA) decreased by 150 basis points and by 90 basis points respectively below the amounts seen for the December 2021

¹ These companies are also referred as core securities dealers or core securities firms

² COP: Certificate of Participation

³ FUM: Funds under Management

quarter. When compared to the corresponding period of 2021, the CAR increased by 110 basis points while the C/TA fell by 50 basis points. See Table 3.

There was an approximate \$300 million or 1.8 per cent year over year decrease in combined total revenues (comprising of interest income and other income) reported for the March 2022 quarter. This downturn was due to a 14 per cent fall in non-interest income (other income) for the March 2022 quarter. Some of the main contributing factors to the contraction in the non-interest income included trading losses, foreign exchange losses and revaluation losses. The Jamaican dollar appreciated by 0.8 per cent against its US\$ counterpart in the first quarter of 2022. Additionally, due to higher yields on GOJ bonds, the prices of these bonds decreased.

The accumulated interest income and combined interest expense grew by 16.9 per cent and 25.6 per cent respectively from the amounts seen for the March 2021 quarter. This is in the context of the Bank of Jamaica's policy rate which was increased to 4.50 per cent within the reporting quarter against the backdrop of high inflation, driven by soaring energy and food prices, supply chain disruptions and the adverse effects of the ongoing Russia – Ukraine war. The elevated inflationary pressure has led the BOJ, like other central banks across the globe, to adopt a hawkish stance on its monetary policy.

Cumulative total expenses fell marginally by \$100 million or 0.7 per cent quarter over quarter; however, they increased by \$2.3 billion or 20.9 per cent when compared to the corresponding period of 2021. Nonetheless, a net profit of \$2.4 billion was generated in the March 2022 quarter reflecting a \$1.1 billion decrease quarter over quarter and a \$ 1.6 billion decline from March 2021 levels. See Table 2.

Table 2: Selected Profit & Loss Indicators of the Core Securities Firms, March 2021 to March 2022							
Selected Profit & Loss Indicators	Mar 21 \$'B	Jun 21 \$'B	Sep 21 \$'B	Dec 21 \$'B	Mar 22 \$'B	%age Change between Mar'21 & Mar '22	%age Change between Dec '21 & Mar'21
Total Revenue	16.5	18.6	17.4	18.5	16.2	-1.8	-12.4
Of Which							
total Interest Income	6.5	7.3	7.6	7.6	7.6	16.9	0
total non-interest income	10	11.3	9.8	10.9	8.6	-14	-21.1
Total Expense	11.0	11.3	10.9	13.4	13.3	20.9	-0.74
Of Which							
total Interest Expense	3.9	4.3	4.9	5	4.9	25.6	-2
total non-interest expense	7.1	7	6.0	8.5	8.4	18.3	-1.2
Net Interest Income	2.6	3	2.7	2.7	2.7	3.8	0
<i>Net Profit</i>	4	5.9	-1.2	3.5	2.4	-40	-31.4

This resulted in a return on equity of 1.6 per cent for the quarter ended March 2022 compared to 3.1 per cent for the corresponding period last year and 2.3 per cent for the December 2021 quarter (see Table 3).

Table 3: Selected Prudential Ratios for the Core Securities Firms						
Ratio	Mar 21	Jun 21	Sep 21	Dec 21	Mar 22	FSC Benchmark
Capital/Risk Weighted Asset	22.4%	22.3%	24.5%	25%	23.5%	≥ 14%
Capital/Total Assets	17.0%	16.9%	18.2%	17.4%	16.5%	≥ 6%
Return on Equity	3.1%	4.5%	-0.8%	2.33%	1.6%	N/A

LOCAL COLLECTIVE INVESTMENT SCHEMES

Currently in Jamaica, there are two (2) types of collective investment schemes (CIS); namely, unit trust and mutual funds. As at March 31, 2022, there were twelve (12) local CIS managers. Of these 12 managers, only ten (10) are operational. Of the 10 that are operational, nine (9) are unit trust managers while one (1) is a mutual fund manager. These managers operate nineteen (19) funds with a combined total of 79 portfolios. Table 4 displays the aggregate FUM and the portfolio composition for the local CIS industry.

Table 4: Size & Portfolio Composition of the Local CIS Industry							
Asset Class	Mar 2021 J\$' B	Jun 2021 J\$' B	Sept 2021 J\$' B	Dec 2021 J\$' B	Mar 2022 J\$' B	%age Change between Dec '21 & Mar '22 (%)	%age Change between Mar'21 & Mar '22 (%)
(a) Real Estate	24.5	24.5	26.5	26.8	27.0	0.5	10.2
(b) Equities	77.9	96.1	82.4	80.8	81.8	1.3	5.1
(c) Fixed Inc. Securities	230.3	232.0	241.1	240.5	239.0	-0.6	3.8
(d) Cash	8.4	8.3	9.3	9.9	10.0	0.7	19.0
(e) Other assets	4.6	-8.6	0.8	6.5	8.0	22.3	75.3
Total	345.5	352.2	360.1	364.5	365.8	0.3	5.9

OVERSEAS MUTUAL FUNDS

As at March 31, 2022, three (3) overseas mutual funds were registered with the FSC, for sale in Jamaica. These overseas mutual fund investment portfolios comprised mainly of equities and fixed income securities. Table 5, below, displays the total amount invested in these funds by Jamaicans.

Table 5: Total Amount Invested in Overseas Mutual Funds

Selected Indicators	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Value of Units (US\$' M)	342.1	343.9	341.5	339.1	323.9

EXEMPT DISTRIBUTIONS

The FSC's Guidelines for Exempt Distributions (XD Guidelines) facilitates, under certain conditions, the distribution of securities without the need to register a prospectus or an offering document with the FSC. Under the said XD Guidelines, issuers of securities are permitted to register both debt and equity securities with the FSC. Tables 6 illustrates the total number and value (both J\$ and US\$) of instruments registered and issued for the quarters March 2021 to March 2022. As seen in Table 6, the demand for XD instruments remained vibrant, despite the macro-economic challenges precipitated by the COVID19 Pandemic and exacerbated by the Russia-Ukraine war

Table 6: Quarterly Registration & Issued Summary

Quarterly XD Registration Summary	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Number of XDs Registered for the Quarter	25	41	35	49	31
Number of Registered Issuers for the quarter	20	24	22	25	20
Amount Registered by Currency "in Millions"					
JMD	19,032	41,659	73,262	53,444	45,047
USD	32	20	223	367	30
Quarterly XD Issued Summary	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Number of XDs Issued for the Quarter	15	21	39	24	38
Number of Issuers for the Quarter	10	17	22	18	23
Amount Issued by Currency "in Millions"					
JMD	15,363	31,337	53,321	10,891	25,991
USD	39	16	30	65	186

Table 7 provides information regarding the total number, and value (both J\$ and US\$) of securities outstanding in each quarter from March 2021 to March 2022. The majority of outstanding XD instruments are debt and denominated in local currency. As general interest rates rises, XD debt instruments typically become more attractive to investors as they seek to earn higher investment returns.

Table 7: Summary of Outstanding Exempt Distributions

Description	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Total number of Issues Outstanding	323	327	339	349	368
Debt	280	285	294	304	325
Ordinary/Preference Shares	43	42	45	45	43
Total number of Issuers	146	147	146	154	155
Total number of securities dealers acting as arrangers	17	17	17	16	16
JMD Securities Outstanding (J\$'M)					
Issued	351,214	360,735	388,087	394,894	406,872
Amount Paid Down	4,956	3,251	5,760	6,994	7,474
Outstanding	346,258	357,484	382,326	387,959	399,398
USD Securities Outstanding (US\$'M)					
Issued	871	848	915	966	1,061
Amount Paid Down	26	5	5	5	3
Outstanding	845	843	910	961	1,057