

# SECURITIES INDUSTRY DECEMBER 2022 QUARTERLY SUMMARY

## MARKET INTERMEDIARIES

As at December 31<sup>st</sup>, 2022, there were thirty-seven (37) companies licensed as securities dealers. Of these 37 companies, the analysis will concentrate on the twenty-nine (29) companies whose primary activity is dealing in securities.<sup>1</sup>

The total balance sheet assets at the end of the December 2022 quarter stood at \$868.5 billion, a marginal increase compared to the previous quarter (June to Sep 2022) where assets amounted to \$867 billion. A year over year comparison showed an improvement of 3.7 per cent where total assets grew from \$837 billion as at December 31<sup>st</sup>, 2021. Aggregate funds under management (FUM) were approximately \$1.596 trillion as at December 31<sup>st</sup>, 2022, representing a \$9 billion or 0.57 per cent increase over the previous quarter. The year-over-year comparison saw a 5.2 per cent decline in FUM from the amount seen as at December 2021 arising from a contraction primarily in balance sheet positions. See Table 1.

Table 1: Selected Indicators of the Core Securities Firms, December 2021 to December 2022							
Selected Indicators	Dec 21 \$'B	Mar 22 \$'B	June 22 \$'B	Sept 22 \$'B	Dec 22 \$'B	%age Change between Sep '22 & Dec '22	%age Change between Dec '21 & Dec '22
Total Assets	837	856.6	865.9	867	868.5	0.17	3.8
Total Liabilities	691.8	715.2	729.6	743	738.9	-0.55	6.8
Total Capital	145.2	141.4	136.3	124	129.6	4.5	-10.7
Total Repo Liabilities (including COP) <sup>2</sup>	560	511	605.2	617.3	612.7	-0.75	9.4
FUM <sup>3</sup>	1,684.18	1,704.58	1,708.46	1,587.44	1,596.47	0.57	-5.2

The aggregate balance sheet capital at the end of the reporting period was \$129.6 billion, an increase of 4.5 per cent from the \$124 billion reported for the September 2022 quarter. On a year-over-year (y-o-y) basis, there was a 10.7 per cent decrease in the total balance sheet capital for securities dealers. See Table 1.

<sup>1</sup> These companies are also referred as core securities dealers or core securities firms

<sup>2</sup> COP: Certificate of Participation

<sup>3</sup> FUM: Funds under Management

The Capital to Risk-weighted asset ratio (CAR) increased by 220 basis points while the Capital to Total Assets ratio (C/TA) grew by 60 basis points compared to the September 2022 quarter. When compared to the corresponding period of 2021, the CAR fell by 90 basis points while the C/TA rose by 60 basis points. See Table 3.

There was an approximate \$3.1 billion or 16.8 per cent year over year decline in combined total revenues (comprising of interest income and other income) reported for the December 2022 quarter. This is primarily due to the 49.5 per cent fall in non-interest income (other income) when compared to the corresponding period of 2021. Some of the main contributing factors to the contraction in the non-interest income included trading losses, foreign exchange losses and revaluation losses. Bond prices have fallen precipitously due to higher yields on GOJ bonds, stemming from central bank action.

Cumulative total expenses climbed by 9 per cent compared to last quarter, amounting to approximately 14.5 billion; whilst it grew by 10.2 per cent per cent when compared to the corresponding period of 2021. A net profit of \$995 million was generated in the December 2022 quarter, reflecting a \$1.2 billion decrease quarter over quarter. See Table 2.

Table 2: Selected Profit & Loss Indicators of the Core Securities Firms, December 2021 to December 2022							
Selected Profit & Loss Indicators	Dec 21 \$'B	Mar 22 \$'B	Jun 22 \$'B	Sept 22 \$'B	Dec 22 \$'B	%age Change between Sep '22 & Dec '22	%age Change between Dec '21 & Dec '22
Total Revenue	18.5	16.2	16.8	15.6	15.4	-1.3	-16.8
Of Which							
total Interest Income	7.6	7.6	7.6	9.7	9.9	2	30.3
total non-interest income	10.9	8.6	9.2	5.9	5.5	-6.8	-49.5
Total Expense	13.4	13.3	13.3	13.3	14.5	9	8.2
Of Which							
total Interest Expense	5	4.9	5.8	7.6	8.9	17.1	78
total non-interest expense	8.5	8.4	7.5	5.7	5.6	-1.8	-34.1
Net Interest Income	2.7	2.7	1.9	2.1	0.9	-57	-67
<i>Net Profit</i>	3.5	2.4	3	2	0.8	-60	-77

This resulted in a return on equity of 3.8 per cent for the quarter ended December 2022 compared to 2.33 per cent for the corresponding period last year and 2.29 per cent for the September 2022 quarter (see Table 3).

Table 3: Selected Prudential Ratios for the Core Securities Firms						
Ratio	Dec 21	Mar 22	Jun 22	Sep 22	Dec 22	FSC Benchmark
Capital/Risk Weighted Asset	25%	23.5%	24.6%	21.9%	24.1%	≥ 14%
Capital/Total Assets	17.4%	16.5%	13.7%	17.4%	18%	≥ 6%
Return on Equity	2.33%	1.6%	4.8%	2.29%	3.8%	N/A

## LOCAL COLLECTIVE INVESTMENT SCHEMES

Currently in Jamaica, there are two (2) types of collective investment schemes (CIS): unit trust and mutual funds. As at December 31<sup>st</sup>, 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	Dec 2021 J\$' B	Mar 2022 J\$' B	Jun 2022 J\$' B	Sep 2022 J\$' B	Dec 2022 J\$' B	%age Change between Sep '22 & Dec '22	%age Change between Dec '21 & Dec '22
(a) Real Estate	26.8	27.0	27.8	29.7	32.1	8.1	19.8
(b) Equities	80.8	81.8	79.0	86.1	99.4	15.4	23
(c) Fixed Inc. Securities	240.5	239.0	225.9	203.71	186.7	-8.4	-22.4
(d) Cash	9.9	10.0	11.7	9.3	8.9	-4.3	-10.1
(e) Other assets	6.5	8.0	7.9	15.3	19.7	29	203
Total	364.5	365.8	352.3	344.1	347	0.8	-4.8

## EXEMPT DISTRIBUTIONS

The FSC's Guidelines for Exempt Distributions (XD Guidelines) facilitate, 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. Table 5 illustrates the total number and value (both J\$ and US\$) of instruments registered and issued for the quarters December 2021 to December 2022. As seen in Table 5, the demand for XD instruments remained vibrant, despite the macroeconomic challenges precipitated by the COVID19 Pandemic and exacerbated by the Russia-Ukraine war.

Table 5: Quarterly Registration & Issued Summary

Quarterly XD Registration Summary	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22
Number of XDs Registered for the Quarter	49	31	30	46	55
Number of Registered Issuers for the quarter	25	20	23	31	31
Amount Registered by Currency "in Millions"					
JMD	53,444	45,047	27,271	61,729	40,695
USD	367	30	141	26	96
Quarterly XD Issued Summary	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22
Number of XDs Issued for the Quarter	24	38	20	30	29
Number of Issuers for the Quarter	18	23	14	18	21
Amount Issued by Currency "in Millions"					
JMD	10,891	25,991	8,920	30,945	17,578
USD	65	186	35	151	28

Table 6 provides information regarding the total number, and value (both J\$ and US\$) of securities outstanding in each quarter from December 2021 to December 2022. The majority of outstanding XD instruments are debt and denominated in local currency. As general interest rates rise, XD debt instruments typically become more attractive to investors as they seek to earn higher investment returns.

Table 6: Summary of Outstanding Exempt Distributions

Description	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22
Total number of Issues Outstanding	349	368	373	376	404
Debt	304	325	331	327	352
Ordinary/Preference Shares	45	43	42	49	52
Total number of Issuers	154	155	155	160	167
Total number of securities dealers acting as arrangers	16	16	16	16	16
JMD Securities Outstanding (J\$'M)					
Issued	394,894	406,872	393,616	392,646	419,363
Amount Paid Down	6,994	7,474	9,725	11,740	15,189
Outstanding	387,959	399,398	283,891	380,906	404,174
USD Securities Outstanding (US\$'M)					
Issued	966	1,061	1,130	1,213	1,465
Amount Paid Down	5	3	9	9	9
Outstanding	961	1,057	1,121	1,204	1,456