

SECURITIES INDUSTRY MARCH 2023 QUARTERLY SUMMARY

MARKET INTERMEDIARIES

As of Mar 31, 2023, thirty-seven (37) companies were licensed as securities dealers. Of these 37 companies, this analysis will concentrate on the twenty-nine (29) companies whose primary activity is dealing in securities.¹

At the end of the March 2023 quarter, the total balance sheet assets stood at \$873.9 billion, a marginal increase compared to the previous quarter (December 2022), where assets amounted to \$868.5 billion. A year-over-year comparison showed an improvement of 2 per cent, where total assets grew from \$856.6 billion as at Mar 31, 2022. Aggregate funds under management (FUM) were approximately \$1.529.3 trillion as at Mar 31, 2023, representing a \$66.7 billion or 4.2 per cent decrease from the previous quarter. The year-over-year comparison saw a 10.3 per cent decline in FUM from the amount seen at end-March 2022. See Table 1.

Selected Indicators	Mar 22 \$'B	Jun 22 \$'B	Sept 22 \$'B	Dec 22 \$'B	Mar 23 \$'B	%age Change between Dec '22 & Mar '23	%age Change between Mar '22 & Mar '23
Total Assets	856.6	865.9	867	868.5	873.9	0.6	2
Total Liabilities	715.2	729.6	743.0	738.9	743.4	0.6	3.9
Total Capital	141.4	136.3	124.0	129.6	130.5	0.7	(7.7)
Total Repo Liabilities (including COP) ²	511.0	605.2	617.3	612.7	606.2	(1.1)	18.6
FUM ³	1,704.6	1,708.5	1,587.4	1,596.5	1,529.3	(4.2)	(10.3)

At the end of the reporting period, the aggregate balance sheet capital was \$130.5 billion, an increase of 0.7 per cent from the \$129.6 billion reported for the December 2022 quarter. On a year-over-year (y-o-y) basis, securities dealers had a 7.7 per cent fall in the total balance sheet capital. See Table 1. See also Table 3, which demonstrates the trend in the selected capital ratios.

¹ These companies are also called core securities dealers or core securities firms.

² COP: Certificate of Participation

³ FUM: Funds under Management

An approximate 4.3 per cent year-over-year uptick in combined total revenues (comprising of interest income and non-interest income) was reported for the March 2023 quarter. This is primarily due to the 34.2 per cent climb in interest income compared to the corresponding period of 2022. The growth in interest income for securities firms can be attributed to higher yields on debt instruments stemming from increases in the BOJ Policy rate over the corresponding period.

Cumulative total expenses rose by 5.5 per cent compared to last quarter, amounting to approximately \$15.3 billion, whilst it climbed by 15 per cent when compared to the corresponding period of 2022. A net profit of \$3.2 billion was generated in the March 2023 quarter, reflecting a \$2.5 billion increase quarter over quarter. This could be attributed to the 66.7 per cent growth in net interest income quarter over quarter. See Table 2.

Selected Profit & Loss Indicators	Mar 22 \$'B	Jun 22 \$'B	Sept 22 \$'B	Dec 22 \$'B	Mar 23 \$'B	%age Change between Dec '22 & Mar '23	%age Change between Mar '22 & Mar '23
Total Revenue	16.2	16.8	15.6	15.4	16.9	9.7	4.3
Of Which							
total Interest Income	7.6	7.6	9.7	9.9	10.2	3.0	34.2
total non-interest income	8.6	9.2	5.9	5.5	6.7	21.8	(22.1)
Total Expense	13.3	13.3	13.3	14.5	15.3	5.5	15.0
Of Which							
total Interest Expense	4.9	5.8	7.6	8.9	8.6	(3.4)	75.5
total non-interest expense	8.4	7.5	5.7	5.6	6.7	19.6	(20.2)
Net Interest Income	2.7	1.9	2.1	0.9	1.5	66.7	(44.4)
<i>Net Profit</i>	2.4	3	1.9	0.7	3.2	357.1	33.3

Ratio	Mar 22	Jun 22	Sep 22	Dec 22	Mar 23	FSC Benchmark
Capital/Risk Weighted Asset	25.0%	23.5%	24.6%	21.9%	22.7%	≥ 14%
Capital/Total Assets	17.4%	16.5%	13.7%	17.4%	14.9%	≥ 6%
Return on Equity	2.3%	1.6%	4.8%	2.3%	2.4%	N/A

LOCAL COLLECTIVE INVESTMENT SCHEMES

Currently, Jamaica has two (2) types of collective investment schemes (CIS): unit trust and mutual funds. As at Mar 31, 2023, there were twelve (12) local CIS managers. Of these 12 managers, only ten (10) are operational. Of these 10, 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.

Asset Class	Mar 2022 J\$' B	Jun 2022 J\$' B	Sep 2022 J\$' B	Dec 2022 J\$' B	Mar 2023 J\$' B	%age Change between Dec '22 & Mar '23	%age Change between Mar '22 & Mar '23
(a) Real Estate	27.0	27.8	29.7	32.1	31.2	(2.8)	15.6
(b) Equities	81.8	79.0	86.1	99.4	93.9	(5.5)	14.8
(c) Fixed Inc. Securities	239.0	225.9	203.71	186.7	201.4	7.9	(15.7)
(d) Cash	10.0	11.7	9.3	8.9	7.2	(19.1)	(28.0)
(e) Other assets	8.0	7.9	15.3	19.7	11.3	(42.6)	41.3
Total	365.8	352.3	344.1	347.0	344.9	(0.6)	(5.7)

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 of March 2022 to March 2023. 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	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Number of XDs Registered for the Quarter	31	30	46	55	36
Number of Registered Issuers for the quarter	20	23	31	31	21
Amount Registered by Currency "in Millions"					
JMD	45,047	27,271	61,729	40,695	65,928
USD	30	141	26	96	58
Quarterly XD Issued Summary	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Number of XDs Issued for the Quarter	38	20	30	29	22
Number of Issuers for the Quarter	23	14	18	21	13
Amount Issued by Currency "in Millions"					
JMD	25,991	8,920	30,945	17,578	15,967
USD	186	35	151	28	11

Table 6 provides information regarding the total number and value (both J\$ and US\$) of securities outstanding in each quarter from March 2022 to March 2023. 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 higher investment returns.

Table 6: Summary of Outstanding Exempt Distributions

Description	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Total number of Issues Outstanding	368	373	376	404	412
Debt	325	331	327	352	355
Ordinary/Preference Shares	43	42	49	52	57
Total number of Issuers	155	155	160	167	167
Total number of securities dealers acting as arrangers	16	16	16	16	16
JMD Securities Outstanding (J\$'M)					
Issued	406,872	393,616	392,646	419,363	427,421
Amount Paid Down	7,474	9,725	11,740	15,189	17,921
Outstanding	399,398	283,891	380,906	404,174	409,500
USD Securities Outstanding (US\$' M)					
Issued	1,061	1,130	1,213	1,465	1,568
Amount Paid Down	3	9	9	9	10
Outstanding	1,057	1,121	1,204	1,456	1,558

