

SECURITIES INDUSTRY DECEMBER 2023 QUARTERLY SUMMARY

MARKET INTERMEDIARIES

As at December 31, 2023, there were thirty-three (33) companies licensed as securities dealers. Of these 33 companies, the analysis will concentrate on the twenty-six (26) companies¹ whose primary activity is dealing in securities.

The combined total balance sheet assets as at December 31, 2023, quarter stood at \$945.91 billion, a 0.75 per cent increase when compared to the previous quarter ended September 2023, where assets amounted to \$938.88 billion. A year over year comparison showed an improvement of 7.51 per cent where total assets grew from \$879.84 billion as at December 31, 2022. Aggregate funds under management (FUM) were approximately \$1,746.19 billion as at December 31, 2023, representing a \$16.03 billion or 0.93 per cent increase over the previous quarter. The year-over-year (y-o-y) comparison saw a 1.70 per cent growth in FUM from the amount seen as at December 31, 2022, arising from growth recorded primarily in balance sheet positions. (See Table 1)

Table 1: Selected Indicators of the Core Securities Dealers, December 2022 to December 2023					
Selected Indicators	Dec 22 \$'B	Sep 23 \$'B	Dec 23 \$'B	Quarter over Quarter Dec 23 percentage change	Year over Year Dec 23 percentage change
Total Assets	879.84	938.88	945.91	0.75	7.51
Total Liabilities	744.32	806.00	800.51	-0.68	7.55
Total Capital	135.52	132.88	145.40	9.42	7.29
Total Repo Liabilities (including COP) ²	612.73	641.34	622.88	-2.57	1.98
FUM ³	1,716.92	1,730.16	1,746.19	0.93	1.70

¹ These companies are also referred as core securities dealers. Data is currently unavailable for one company each for December 2022 and December 2023. These exclusions do not constitute material differences.

² COP: Certificate of Participation

³ FUM: Funds under Management

The aggregate balance sheet capital at the end of the reporting period was \$145.4 billion, an increase of 9.42 per cent from the \$132.88 billion reported for the September 2023 quarter. On a y-o-y basis, there was a 7.29 per cent increase in the total balance sheet capital for securities dealers. (See Table 1)

For the quarter December 31, 2023, there was an approximate \$17.62 billion or 26.41 per cent y-o-y increase in combined total revenues (comprising of interest income and other income). This was primarily driven by domestic and foreign interest-bearing investments coupled with the addition of securities purchased under repurchase agreements. Trading profits on debt securities further contributed to the y-o-y increase. There was an approximate \$23.94 billion or 39.64 per cent quarter-over-quarter (q-o-q) increase in combined total revenues (comprising of interest income and other income). This was also primarily driven by domestic and foreign interest-bearing investments. Other contributing factors included service charges, transaction fees & commissions and trading profits on debt securities. These improvements are predominantly supported by elevated local interest rates and increasing global interest rates during the period.

Cumulative total expenses increased by 32.83 per cent over the year, whereas 36.27 per cent over the previous quarter. The y-o-y movement was primarily driven by interest expenses on repo liabilities. Staff expenses also played a role in the q-o-q increase. A net profit of \$84.34 billion was generated in the December 2023 quarter, reflecting a \$940 million decrease quarter over quarter. (See Table 2)

Table 2: Selected Profit & Loss Indicators of the Core Securities Dealers, December 2022 to December 2023					
Selected Profit & Loss Indicators	Dec 22 \$'B	Sep 23 \$'B	Dec 23 \$'B	Quarter over Quarter Dec 23 percentage change	Year over Year Dec 23 percentage change
Total Revenue	66.72	60.40	84.34	39.64	26.41
Of Which					
total Interest Income	36.83	34.58	46.67	34.96	26.72
total non-interest income	29.89	25.82	37.67	45.89	26.03
Total Expense	56.54	55.11	75.10	36.27	32.83
Of Which					
total Interest Expense	27.88	30.31	41.22	35.99	47.85
total non-interest expense	28.66	24.80	33.88	36.61	18.21
Net Interest Income	8.95	4.27	5.45	27.63	-39.11
Net Profit before tax	10.18	5.29	9.24	74.67	-9.23

The aforementioned net income resulted in a return on equity of 7.68 per cent for the quarter ended December 2023 compared to 7.45 per cent for the corresponding period last year (see Table 3).

Table 3: Selected Prudential Ratios for the Core Securities Dealers				
Ratio	Dec 22	Sep 23	Dec 23	FSC Benchmark
Capital/Risk Weighted Asset	24.41%	26.00%	22.18%	≥ 14%
Capital/Total Assets	15.40%	14.15%	15.37%	≥ 6%
Return on Equity	7.45%	4.86%	7.68%	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 December 31, 2023, there were twelve (12) local CIS managers. Of these 12 managers, eleven (11) are operational⁴. Of the 11 that are operational, nine (9) are unit trust managers while two (2) are mutual fund managers. These managers operate twenty (20) funds with a combined total of 83 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 2022 JMD' B	Mar 2023 JMD' B	Jun 2023 JMD' B	Sep 2023 JMD' B	Dec 2023 JMD' B	Quarter over Quarter Dec 23 percentage change	Year over Year Dec 23 percentage change
(a) Real Estate	32.10	31.18	35.75	36.15	34.32	-5.07	6.91
(b) Equities	99.40	93.90	90.23	87.59	87.22	-0.43	-12.26
(c) Fixed Inc. Securities	186.70	201.37	208.70	199.08	193.32	-2.89	3.55
(d) Cash	8.90	7.15	6.91	6.30	11.81	87.49	32.67
(e) Other assets	19.70	11.26	10.40	16.96	21.93	29.33	11.33
Total	346.80	344.85	351.99	346.07⁵	348.60	0.73	0.52

⁴ 11 operational and 1 non-operational local CIS managers. The non-operational CIS manager was approved but their CIS business was not launched and is pending cancellation.

⁵ This represents the actual rounded value. The total individual items for this period appears slightly different due to rounding errors.

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 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 in JMD and USD) of instruments registered and issued for the quarters ended December 2022 to December 2023. As seen in Table 5, there was a declining issuance⁶ of XD instruments and only marginal increase in value amounts for JMD. This may be explained by dampened investment appetite or activity, amidst elevated interest rates as XD issuers attempt to maximize their potential returns. This is also aligned with the slow economic growth during this period.

Table 5: Quarterly Registration & Issued Summary

Quarterly XD Registration Summary	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23
Number of XDs Registered for the Quarter	55	36	39	31	38
Number of Registered Issuers for the quarter	31	22	28	23	24
JMD (in Millions)	40,695	58,487	41,570	16,935	29,126
USD (in Millions)	96	48	96	42	72
Quarterly XD Issued Summary	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23
Number of XDs Issued for the Quarter	29	22	11	23	20
Number of Issuers for the Quarter	21	13	10	6	24
JMD (in Millions)	17,578	15,967	4,629	12,184	18,286
USD (in Millions)	28	11	21	45	28

Table 6 provides information regarding the total number and value (both in JMD and USD) of securities outstanding in each quarter from December 2022 to December 2023. Outstanding XD instruments were primarily debt and denominated in local currency. As short-term interest rates decline, demand for XD debt instruments may slow down as the potential for earning higher investment returns diminish.

⁶ There is a three-month period, for completing an Exempt Distribution after approval by the FSC. So, there may be delays, resulting in differences in the number of registrations and issuances for a particular period.

Table 6: Summary of Outstanding Exempt Distributions

Description	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23
Total number of Issues Outstanding	404	412	416	423	442
Debt	352	355	356	367	378
Ordinary/Preference Shares	52	57	60	56	64
Total number of Issuers	167	167	165	169	171
Total number of securities dealers acting as arrangers	16	16	14	14	14
JMD Securities Outstanding (JMD in millions)					
Issued	419,363	427,421	445,651	436,656	453,526
Amount Paid Down	15,189	17,921	25,201	12,622	11,660
Outstanding	404,174	409,500	420,450	424,033	441,866
USD Securities Outstanding (USD in millions)					
Issued	1,465	1,568	1,107	1,133	1,177
Amount Paid Down	9	10	17	19	21
Outstanding	1,456	1,558	1,090	1,114	1,156