SECURITIES AND FUTURES COMMISSION
證券及期貨事務監察委員會

# Financial Review of the Securities Industry

For the year ended 31 December 2023

## Executive Summary

The total net profits of all securities dealers and securities margin financiers[1] for 2023 amounted to $28.5 billion[2], up 25% from 2022. The growth was attributable to an increase in gross interest income.

Average daily turnover on The Stock Exchange of Hong Kong Limited (SEHK) in 2023 was $105 billion[3], down 16% from 2022. As of the end of 2023, the Hang Seng Index closed at 17,047, 14% lower than its close at the end of 2022.

In respect of SEHK participants, brokerages in Categories A, B and C reported total net profits of $5.1 billion, $7 billion and $1.1 billion, respectively. The net profits of all SEHK participants totalled $13.2 billion, up 133% from 2022.

The total number of active margin clients increased 5% to 2.6 million from end-2022. At the end of 2023, average collateral coverage (as defined in remark 1a in Table 1) was 4.1 times, whilst outstanding margin loans totalled $148 billion, down 3% from a year ago. The 20 largest providers of securities margin financing collectively accounted for 83% of the industry's total outstanding margin loans.

Table 1 below summarises the statistical information and financial highlights for securities dealers and securities margin financiers. Table 2 summarises the financial performance of the three categories of SEHK participants in 2023.

**Table 1 Statistical information and financial position of securities dealers and securities margin financiers**

| | 31/12/2023 | 31/12/2022 |
|---|---|---|
| Total number of securities dealers and securities margin financiers | 1,406 | 1,439 |
| Total number of active cash clients[1b] | 2,193,229 | 2,203,172 |
| Total number of active margin clients[1b] | 2,563,883 | 2,446,852 |
| **Balance sheet ($ million)** | | |
| Cash in hand and at bank[1c] | 564,507 | 678,480 |
| Amounts receivable from margin clients | 148,038 | 152,062 |
| Amounts receivable from clients and other dealers arising from dealing in securities | 183,166 | 179,132 |
| Proprietary positions | 69,444 | 70,834 |
| Other assets | 366,674 | 371,941 |
| **Total assets** | **1,331,829** | **1,452,449** |

[1] Securities dealers and securities margin financiers refer to corporations licensed for dealing in securities or securities margin financing. Both SEHK participants and non-SEHK participants are included unless otherwise specified.
[2] Unless otherwise stated, the figures provided in this report are denominated in Hong Kong dollars.
[3] Source: Hong Kong Exchanges and Clearing Limited.

**Table 1 Statistical information and financial position of securities dealers and securities margin financiers (cont'd)**

| | 31/12/2023 | 31/12/2022 |
|---|---|---|
| **Balance sheet ($ million) (cont'd)** | | |
| Amounts payable to clients and other dealers arising from dealing in securities | 624,749 | 697,055 |
| Total borrowings from financial institutions | 28,753 | 72,890 |
| Short positions held for own account | 2,571 | 7,183 |
| Other liabilities | 194,380 | 191,923 |
| Total shareholders' funds | 481,376 | 483,398 |
| **Total liabilities and shareholders' funds** | **1,331,829** | **1,452,449** |
| | **2023** | **2022** |
| **Profit and loss ($ million)** | | |
| Total value of transactions[1d] (-14%) | 107,897,497 | 126,014,719 |
| Net securities commission income | 17,113 | 20,210 |
| Gross interest income | 39,987 | 23,044 |
| Other income[1e] | 140,139 | 144,131 |
| Net profit on proprietary trading | 3,307 | 6,211 |
| **Total income (4%)** | **200,546** | **193,596** |
| Total overheads and interest expense | (172,046) | (170,730) |
| **Net profit (25%)** | **28,500** | **22,866** |

Remarks:

1a. Average collateral coverage represents the number of times the aggregate market value of securities collateral deposited by margin clients covers the total amount of margin loans due from these clients on a given date on an industry-wide basis:

| As at 31/12/2023 | As at 31/12/2022 |
|---|---|
| 4.1 times | 4.2 times |

1b. Active clients refer to clients for whom a licensed corporation is required to prepare and deliver monthly statements of account in respect of the relevant reporting month in accordance with the Securities and Futures (Contract Notes, Statements of Account and Receipts) Rules.

1c. Cash in hand and at bank includes $340,373 million in trust monies held on behalf of clients (31/12/2022: $399,988 million).

1d. Total value of transactions includes trading in equities, bonds and other securities in Hong Kong and overseas.

1e. Other income mainly comprises inter-company management fee income, advisory fees, asset management fees, underwriting fees and corporate finance income.

*Source: Monthly Financial Returns submitted to the Securities and Futures Commission by licensed corporations licensed for dealing in securities or securities margin financing in accordance with the Securities and Futures (Financial Resources) Rules.*

| Table 2 | Financial performance of SEHK participants[2a] by category for the year ended 31 December 2023 ($ million) | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Category A | | Category B | | Category C | | All SEHK Participants | |
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Total value of transactions[2b] | 47,844,664 | 54,775,638 | 29,899,254 | 34,855,644 | 11,336,100 | 12,174,948 | 89,080,018 | 101,806,230 |
| Net securities commission income | 3,309 | 3,906 | 6,356 | 8,085 | 3,495 | 3,888 | 13,160 | 15,879 |
| Gross interest income | 6,235 | 3,161 | 19,790 | 10,753 | 8,519 | 6,449 | 34,544 | 20,363 |
| Other income | 13,273 | 13,509 | 11,365 | 13,476 | 9,035 | 9,607 | 33,673 | 36,592 |
| Net profit/(loss) on proprietary trading | 132 | 159 | 1,487 | 934 | 442 | (901) | 2,061 | 192 |
| **Total income** | **22,949** | **20,735** | **38,998** | **33,248** | **21,491** | **19,043** | **83,438** | **73,026** |
| Salary and staff benefits | (4,386) | (4,278) | (7,863) | (8,401) | (7,300) | (7,732) | (19,549) | (20,411) |
| Other overheads and interest expense | (13,502) | (12,372) | (24,095) | (19,118) | (13,130) | (15,481) | (50,727) | (46,971) |
| **Net profit/(loss)** | **5,061** | **4,085** | **7,040** | **5,729** | **1,061** | **(4,170)** | **13,162** | **5,644** |

Remarks:

2a. SEHK participants are classified into Categories A, B and C on the basis of their monthly turnover on SEHK. Category A participants refer to the top 14 brokers by market turnover, Category B participants refer to those ranked 15th to 65th and the remainder is grouped under Category C.

2b. The total value of transactions includes trading in equities, bonds and other securities in Hong Kong and overseas.

*Source: Monthly Financial Returns submitted to the Securities and Futures Commission by SEHK participants in accordance with the Securities and Futures (Financial Resources) Rules.*

Disclaimer: The objective of this paper is to provide summary financial data for interested parties to use for benchmarking, research analysis or other purposes. Observations made here should not be taken as definitive market commentaries.