

## **The Hong Kong Association of Online Brokers Limited**

### **The Hong Kong Association of Online Brokers Chairman's Report (2018-2019)**

I am pleased to present my report on The Hong Kong Association of Online Brokers Limited ("HKAOB") for the period of 2018 to 2019. During the period, I represented BOCI Securities Limited and served as Chairman of HKAOB.

Hong Kong Stock Market was overshadowed by the ongoing rising tension between China and US due to trade disputes. As there was no sight of resolution, investors were generally on the sideline waiting for positive announcement. As a result, daily turnover was reduced by nearly 25% compared to 2018 when average daily turnover was HK106.89 Billion. Hong Kong market sentiment was further dampened due to the protest movement which began in June thus driving down economic activities and the economy. Average daily turnover during the first 6 months of 2019 was HK\$78.62 Billion while during the remaining 5 months to end of November, it was reduced to HK\$73.73 Billion. By December, there was a glimmer of hope due to positive signs of China and US coming to terms on initial agreement for trades and tariffs plus successful second listing of Alibaba brought some guarded optimism back to the market as the Hang Seng Index ends in the positive territory for 2019.

The Retail Brokerage industry remains difficult as market share of Category C Brokers continues to hover at around 7.3% by November from 7.4% at the beginning of the year while Category B Brokers dropped to 32.27% from 36.96%.

	Average First 6 Months January to June	Average Second 5 months July to November
Category A Brokers Position 1 to 14	57%	60.16%
Category B Brokers Position 15 to 65	35.3%	32.69%
Category C Brokers Position over 65	7.69%	7.16%

One of the bright spots during the term was our submission of the Non Face to Face Remote Account Opening application for competition in the Shenzhen-Hong Kong Financial Collaborative Innovation Award 2018. Our project was awarded Third Prize among stiff competitions from many distinguished financial institutions.



With this development, HKAOB will continue working with the Regulators to incorporate other new technologies and processes into our business and to improve efficiencies to our workflow. Most notably, we are having discussion with Hong Kong InterBank Clearing Limited to explore how to make use of Faster Payment Services (FPS) to facilitate fund transfer but also fulfill SFC AML requirements.

During the period 2018/2019, HKAOB has continued to participate in benevolent events organized and supported by other securities and precious metals associations. In addition, HKAOB had responded to Market Consultations: HKEX, on enhancements to the Pre-opening Session (POS) and Volatility Control Mechanism (VCM) in the securities market; SFC, on the Proposed Guidelines for Securities Margin Financing Activities.

To fulfill the objectives of the Association, the following meetings were conducted:

1. SFC Senior Management, to express views on Margin Financing, Product Due Diligence and AML.
2. HKEX Senior Management to express views on Distributing Mutual Fund, Facilitating Stock Borrowing and Lending through HKEX Platform.
3. InvestHK Head of Fintech to introduce HKAOB members to Fintech Solution providers.

During the 12 months, we have added 5 new members which bring our membership to 34 members.

Moving forward, HKAOB will continue to take up initiatives that will improve our industry's competitiveness due to emergence of Virtual Banks which are most likely to offer stock brokerage services. It is certain that the traditional brokerage business model as we know will undergo further changes with the introduction of Blockchain technology and Virtual Assets. As technology will continue to play an important role, our Association continues to be at the forefront of promoting and establishing best practices and standard for the online securities and futures trading. I hope all Members can continue our efforts in setting industry standards, raising our profile among industry participants and regulators, voicing out our concerns on matters relevant to our industry and business. In closing, I would like to express my deepest gratitude to all the members for their support and guidance in contributing to the success of HKAOB.

Oliver Ng  
Chairman

January 3, 2020