

## The Hong Kong Association of Online Brokers Limited

### The Hong Kong Association of Online Brokers Chairman's Report (2019-2020)

I am pleased to present my report on The Hong Kong Association of Online Brokers Limited ("HKAOB") for the period of 2019 to 2020. During the period, I represented BOCI Securities Limited and served as Chairman of HKAOB.

Hong Kong Stock Market has shown resiliency despite the COVID – 19 pandemic. The average daily turnover on the Hong Kong Exchange during the first six months was HK\$117.27 Billion while the next six months was HK\$140.60 Billion. Overall, turnover in 2020 was significantly higher than 2019 average daily turnover of HK\$87.15 Billion.

Investors' sentiment was heightened during the second half of the year when several major new economy companies had their IPO. At the same time, HKEX has seen a 24% increase in terms of fund raised – raising a total of HK\$389.9 Billion from 140 IPOs.

Due to COVID – 19 pandemic, usage of online services has increased as more people are spending more time at home. As a result, local investors have become well adapted to online brokerage and remote on-boarding services. As seen below, market share of Brokers that cater to retail investor had increased during the second half of year 2020.

2019	Average First 6 Months January to June	Average Second 6 months July to December
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%
2020	Average First 6 Months January to June	Average Second 6 months July to December
Category A Brokers Position 1 to 14	59.20%	57.75%
Category B Brokers Position 15 to 65	33.80%	34.89%
Category C Brokers Position over 65	7.0%	7.36%

Even though there was a slight increase in market share of the Category C Brokers, the industry remains challenging and bleak looking forward as the landscape have become extremely competitive due to arrival of new brokerage firms that adopt very low or zero commission rate strategy. The incumbent brokerage firms need to adjust their business model and strategy otherwise they face elimination. On the other hand, HKEX will be introducing FINI which stands for Fast Interface for New Issuance. The purpose is to reduce the settlement cycle of IPO from T+5 to T+1. This change will have significant impact on Brokerage Firms that provide margin financing on IPO subscriptions as margin interest income will be reduced substantially.

During the period, all benevolent events have been cancelled to ensure safety and good health for everyone.

Moving forward, with the COVID – 19 pandemic stabilizing and subsiding, HKAOB will resume efforts to lobby Regulators and Hong Kong Government to improve our industry's competitiveness. More importantly, we will seek out all available resources to assist our industry's transition to technology focused and driven.

With the announcement of a cross-boundary wealth management connect pilot scheme (Wealth Management Connect) in the Guangdong-Hong Kong-Macao Greater Bay Area (GBA), we will closely monitor the progress as the program is confined to Banks only. We will lobby Hong Kong Government and Regulators to ensure securities brokerage firms can participate in due course.

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

March 5, 2021