

The Hong Kong Association of Online Brokers Chairman's Report (2020-2021)

I am pleased to present my report on The Hong Kong Association of Online Brokers Limited ("HKAOB") for the period of 2020 to 2021. During the period, I represented BOCI Securities Limited and served as Chairman of HKAOB.

During the year 2021, the Hong Kong stock market had performed strongly with the average daily turnover reaching HKD166.7 Billion, a year-on-year increase of 29% and a new high. At the same time, the average daily turnover of the Shanghai-Shenzhen-Hong Kong Stock Connect both reached record high, of which the southbound turnover reached HKD 41.7 Billion, a year-on-year increase of 71%. However, affected by factors such as the pandemic, Sino-US disputes, rising inflation and geopolitical tensions, the strength of Hong Kong market did not carry through to year 2022. In fact, the average daily turnover in the first quarter of year 2022 was HKD146.5 Billion, down from the record high recorded in the first quarter of 2021 of HKD 224.4 billion by 35%.

In terms of the operating environment, nearly 60% of the turnover in 2021 was derived from Global Firms under Category A (the top 14 firms in terms of market turnover), while the market share of small and medium-sized brokerage firms in Category B (ranked 15th to 65th) and C (ranked above 65th) have been further eroded. According to the report on market share of participants of the Stock Exchange, the market share of Category A firms has continued to rise in recent years, rising from 58.15% in 2020 to 59.03% in 2021. The market share of Category B firms had dropped from 34.5% in 2020 to 33.82% in 2021. The market share of Category C firms had dropped from 7.35% in 2020 to 7.15% in 2021.

Below is the breakdown by market share:

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	7.00%	7.36%
2021	Average First 6 Months January to June	Average Second 6 months July to December
Category A Brokers Position 1 to 14	59.54%	60.00%
Category B Brokers Position 15 to 65	33.23%	33.50%
Category C Brokers Position over 65	7.23%	6.50%

From the data, we can see that in 2020, buoyed by strong IPO activities as there were 154 company listings raising \$400.2 billion, Category B and C firms had regained some market share. However, by the second half of year 2021, due to dwindling of IPO activities and negative sentiments due to external factors, Category C firms were severely affected as their market share was reduced to 6.50%.

For the local brokerage firms, in addition to being affected by the pandemic and shrinking trading volume, rising technology and compliance costs have also made small and medium-sized brokerage firms that were already struggling to operate even worse.

With the pandemic still lingering during the period, all benevolent events have been cancelled to ensure safety and good health for everyone. However, we continued to voice our views on issues that are important to the industry and our members. As such, we had expressed to Mr. Paul Chan, Financial Secretary, our opposition to Stamp Duty increases; and to Mr. Christopher Hui, Secretary for Financial Services and the Treasury on facilitating SFC Licensed Corporations to be part of the Greater Bay Area Wealth Management Connect scheme. Furthermore, we had responded to Public Consultations conducted by SFC and HKEX of which we had given our support on Investor Identification and Transaction Reporting but asked for longer time for implementation; our support to modernizing Hong Kong IPO settlement process.

During 2021, we saw the passage of the Improving Electoral System Bill which sets the framework for electing the Chief Executive and members of the Legislative



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Council by the Election Committee. The Election Committee is made up of members from different subsectors. As HKAOB is viewed as having good representation of the Financial Services subsector, therefore Executive Committee members of HKAOB, as the designated body, are eligible to vote for 17 members to represent the Financial Services subsector. In this connection, I am honored to be elected as an Election Committee member.

During the period, we had 3 new members, namely Chief Securities Limited, Emperor Securities Limited and Huatai Financial Holdings (Hong Kong) Limited but regrettably there were three withdrawals, namely Sun Growth Financial, DBS Vickers (Hong Kong) Limited and Chow Sang Sang Securities Limited.

Looking ahead, with the pandemic stabilizing and subsiding, we should resume normal activities of periodic gathering and extend invitation to companies and organizations for knowledge sharing with our members. With the election of Mr. Robert Lee as Member of the Legislative Council representing Financial Services constituency, we will seek out Mr. Lee's to assist our industry's transition to technology focused and driven wealth management firms. At the same time, we continue to lobby Regulators and Hong Kong Government to improve our industry's competitiveness.

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
May 27, 2022