



The Hong Kong association of Online Brokers Chairman's Report (2021-2022)

I am pleased to present the year-end report on The Hong Kong Association of Online Brokers Limited ("HKAOB") for the period from 2021 to 2022. Throughout this period, I served as the Chairman of HKAOB, representing BOCI Securities Limited.

In 2022, the Hong Kong stock market witnessed a decline in average daily turnover, reaching HK\$124,907 million, indicating a 25.1% decrease compared to 2021. This downward trend continued into 2023, with the average daily turnover further dropping to only HK\$78,690 million by September. The poor performance can be attributed to various external macro factors, including Sino-US disputes, rising US interest rates, a strong US Dollar, geopolitical tensions, and a global economic slowdown. Additionally, internal factors such as lowered property values, higher negative equity on local mortgaged properties, and the collapse of high-profile Mainland property developers have adversely affected local retail investor sentiment.

The stock market's decline has also impacted the number of initial public offerings (IPOs) in Hong Kong. In 2022, there were 90 IPOs that raised HK\$104.6 billion, representing a significant fall of nearly 70% compared to the previous year. In the first three quarters of 2023, there were 44 IPOs raising HK\$24.6 billion, indicating a reduction of 65% and 15%, respectively, compared to the same period last year. However, the Mainland's IPO market demonstrated robust performance, with the Shanghai and Shenzhen Stock Exchanges raising a combined total of US\$85.531 billion or HK\$667.14 billion in 2022. This is in stark contrast to the past, where Hong Kong was at the forefront of funds raised from IPOs among all global exchanges.

Regarding the operating environment, approximately 67% of the turnover in 2022 was derived from Global Firms under Category A, which includes the top 14 firms based on market turnover. Meanwhile, the market share of small and medium-sized brokerage firms in Category B (ranked 15th to 65th) and C (ranked above 65th) has further eroded. According to the Stock Exchange's report on the market share of participants, Category B firms' market share fell to around 28% in 2022, while Category C firms experienced a drop to 4.6% in the same year, reaching a record low of 4.28% by August 2023.

Recent statistics clearly indicate that local retail brokerage firms are facing significant revenue challenges, while their fixed operating costs remain high due to rising technology and compliance expenses. In light of this situation, I have proposed, during the monthly gathering with Executive Members of other Brokerage Associations, and alongside Hon. Robert Lee, Legco Member representing our industry, that the retail brokerage industry should consider adopting a shared resources model as an alternative operating approach for cost savings. This approach would enable leveraging the consortium's bargaining power to access more products for our customers.

Throughout the year, I actively participated in all activities of the retail brokerage industry, demonstrating our support, solidarity, and benevolence. Furthermore, due to the strong interest in virtual assets, I organized events and invited distinguished speakers, notably Dr. Duke Jinsong Du, Barrister at Law, and Ms. Josephine Chung, Director of Compliance Plus, to share insights and provide guidance on SFC Regulations on Virtual Assets from legal and compliance perspectives. Additionally, I arranged a workshop on digital asset business opportunities presented by Hashkey, an SFC Licensed Exchange in Hong Kong.

Looking ahead, I encourage all Members to continue our efforts in establishing industry standards, enhancing our profile among industry participants and regulators, and voicing our concerns on matters relevant to our industry and business. Furthermore, as the financial industry embraces new technologies such as Blockchain and Artificial Intelligence, it is crucial for HKAOB to assume a leading role in guiding and advocating for industry participants in the future.

In conclusion, I express my deepest gratitude to all the members for their support and guidance, which have contributed to the success of HKAOB. Although I stepped down from BOCI Securities Limited in February 2023, I am honored to be conferred as the Honorary Chairman by the Members, and I will continue to contribute to the success of HKAOB and the retail brokerage industry.

Oliver Ng
Chairman
9 November, 2023