

# **Qualitative Research of Chinese Brokerage Market**

By

Zhu Ruiqing

Submitted to

Central European University

Department of Economics and Business

*In partial fulfilment of the requirements for the degree of MS in Finance*

Supervisor: Professor Péter Szilágyi

Project Sponsor: Adam Nasli

Budapest, Hungary

2021

## CONTENT

CONTENT.....	II
BACKGROUND.....	1
METHODOLOGY.....	2
SUMMARY.....	3

## BACKGROUND

In different countries, securities companies have different titles. In the United States, securities companies are called Investment Bank or Broker-Dealer, in the United Kingdom, securities companies are called Merchant Bank, in Europe, due to the mixed business system, investment bank is only a division of Universal Bank; in East Asia, it is called a Securities Company. As of the third quarter of 2020, China had a total of 135 securities company.

Chinese brokerage market is a relatively new area for BrokerChooser. The system of China's brokerage market and even stock market is different from that of European and American countries. There are different regulations, customer profiles, different value propositions of the brokers. To understand better the qualitative aspects of Chinese market would be beneficial for BrokerChooser to serve its growing Chinese customer base.

With the development of the global and Chinese capital markets and the development of the Internet, the scale of Chinese Internet netizens has continued to expand, and the penetration rate has increased. The total assets of China's securities industry have continued to expand. The data report shows that since 2014, the total assets of securities have been increasing rapidly. As of September 2020, China's 135 securities companies achieved total assets of 8.9 trillion yuan. As of December 2020, they achieved total operation revenue of 515.6 billion yuan and net profit of 153.8 billion yuan. So the scale of this potential market is very large.

## METHODOLOGY

One desired outcome of the project would be to analyze the qualitative aspects of Chinese market, including:

1. Regulation
2. customer profile (demographics, trading vs investing behavior, preferred assets to trade)
3. assets under management
4. value proposition of the brokers, etc.

Second outcome of the project would be to prepare a detailed broker review of Industrial Securities: following BrokerChooser's methodology.

In this project I did data collecting, survey collecting, the information resources:

Qualitative analysis of the Chinese market, information resources would be the

1. wind-market leader in China's financial information services industry
2. Choice info, a way to get financial data information
3. Customer survey by China Clearing (CSDC) statistics

Review of Industrial Securities: Analyzing the "Industrial Securities Official Application" based on clients, following Brokerchooser's methodology.

## Summary

In 2015, China's accession to the WTO promised to fully open the financial market. It is possible for overseas financial institutions to fully conduct business in China, because the Internet model in China has absolute advantages. Regarding the economic core business of securities companies, the launch of stock index futures, margin trading and securities lending, and quantitative hedging transactions have become the core business of securities companies' brokerage business. Internet finance can also better serve and support the development of these businesses.

In China, financial innovation business policies continue to be introduced every year, and hybrid businesses have become a trend. Securities companies have much fewer operating outlets than banks. The use of Internet financial business models to conduct business appears to be particularly important for securities companies' brokerage business. The introduction of the (off-site) account opening policy makes it possible for the brokerage business of securities companies to integrate the Internet to conduct business.

Industrial Securities and its International Financial Group are focus on different market, so need to consider the selected market before trading.

According to the capstone project, users will be able to understand Chinese brokerage market, Distinguish between a Chinese securities firm and its international subsidiaries, have an understanding of the trading platform, and understand the investment preferences and customer profiles of Chinese securities clients.