

## CHIEF EXECUTIVE OFFICER'S MESSAGE

2017 was a good year for Bursa Malaysia as the developmental efforts we had undertaken in previous years have translated into tangible results.



### **DATUK SERI TAJUDDIN ATAN**

Chief Executive Officer, **BURSA MALAYSIA BERHAD**

Since 2011, we have been laying a robust foundation for growth through international alliances and the institutionalisation of sustainable practices to enhance the resilience of the domestic market. With this foundation in place, we then embarked on our 2014-2016 Business Plan to transform Bursa Malaysia into a dynamic Exchange that serves as an engine of economic growth and steers capital market development, anchored on clearly identified niche areas of strength.

AS PART OF OUR EFFORTS TO ENHANCE MARKET ACTIVITY AND PROMOTE INCLUSIVE ACCESS TO FUNDRAISING,

**BURSA MALAYSIA LAUNCHED THE GROUND-BREAKING LEADING ENTREPRENEUR ACCELERATOR PLATFORM (LEAP) MARKET IN JULY 2017.**



In early 2017, key appointments were made within our organisation, arising from the Optimising Organisational Structure for Organisation Effectiveness initiative. As a result, we are starting to see the fruits of more holistic strategies and better cohesion to leverage strengths in our business segments and operations. I am confident that we have emerged in a better position to fulfill the needs of all our stakeholders, namely public listed companies (PLCs), investors, market participants, the community, and our employees, besides expanding our reach. We also attained several momentous milestones this year – from being the first Exchange in the region to offer a gateway to capital market fundraising for small and medium sized enterprises (SMEs) to offering the world's first Islamic equivalent of Securities Borrowing and Lending for institutional investors. All these serve to ensure wider relevance and sustainability of our business for long-term value creation.

**STRATEGIC ROADMAPS DELIVERING VALUE**

The Securities Market recorded trading revenue of RM259.6 million, driven by Average Daily Trading Value (ADV) for On-Market Trades of RM2,314 million, which was an increase of 27.7% from 2016.

Fundraising activities expanded significantly in 2017 with total funds raised recording a substantial growth of 71.1% to RM21.9 billion compared with RM12.8 billion in 2016. Positive sentiments opened the door for new listings in the year, with 13 Initial

Public Offerings (IPO) raising RM7.4 billion compared with 11 offerings which raised RM0.6 billion in 2016. At the end of 2017, the market capitalisation of new listings reached RM21.5 billion against just RM2.2 billion in the previous year. Fundraising activity in the secondary market remained strong with a total of RM14.5 billion raised in 2017, compared with RM12.2 billion in 2016. The robust secondary market was driven by major corporate exercises including rights issues, special issues and private placement by PLCs.

Meanwhile, the Derivatives Market recorded an increase of 4.4% in the total volume of Crude Palm Oil Futures (FCPO) contracts traded, with FCPO achieving greater international acceptance as the benchmark for CPO prices. However, the overall ADC traded for derivatives products was flattish with a marginal decrease of 0.3% to 57,677 contracts. The slight dip in ADC was mainly due to a decline in FTSE Bursa Malaysia KLCI Futures (FKLI) volumes, as there was less volatility in the underlying benchmark equity index, similar to what was seen in other global markets. Overall, the Derivatives Market achieved healthy trading revenue of RM80.6 million during the year from 14.0 million contracts traded, compared with trading revenue of RM88.7 million from 14.2 million contracts traded in 2016.

The Islamic Capital Market (ICM) remained vibrant and competitive, continuing to do justice to Malaysia's position as a global leader in Islamic finance. During the year, Bursa Suq Al-Sila' (BSAS) performed commendably

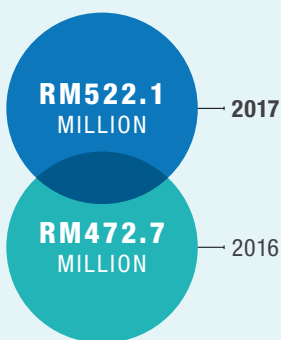
with ADV growing 20.2% to RM19.6 billion from RM16.3 billion in 2016, generating RM15.8 million in trading revenue as opposed to RM16.4 million in 2016, mainly due to the introduction of a volume-based pricing scheme.

The strong market activity and robust market conditions, anchored on our internal efforts to solidify our organisation, lifted Bursa Malaysia's financial performance during the year. Profit After Tax and Minority Interest (PATAMI) surged 15.2% year-on-year to RM223.0 million as operating revenue rose 10.4% to RM522.1 million, while operating expenses increased by 6.0% to RM250.4 million. This is Bursa Malaysia's highest recorded full-year PATAMI since 2007, and highest full-year operating revenue since our listing in 2005. Return on Equity grew to 26.0% from 23.2% in 2016, whilst our cost to income ratio improved to 45.1% from 46.6% in 2016.

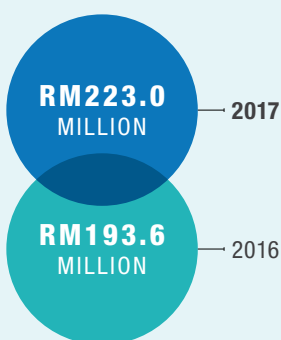
**NEW PRODUCTS AND SERVICES**

As part of our efforts to enhance market activity and promote inclusive access to fundraising, Bursa Malaysia launched the ground-breaking Leading Entrepreneur Accelerator Platform (LEAP) Market in July 2017. The platform supports SMEs, which form the backbone of economic activity, in gaining access to capital market funds to progress to their next phase of growth. Clouaron Group Berhad became the first company to be listed on the LEAP Market, raising RM5.5 million from its IPO in October 2017. The early issuers on the LEAP market

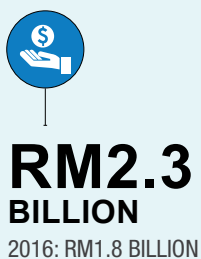
**OPERATING REVENUE**



**PATAMI**



**AVERAGE DAILY TRADING VALUE (ON-MARKET TRADES)**



**FUNDRAISING**



2017 also marked the debut of

**THE FIRST COMMODITY ETF ON BURSA MALAYSIA – TRADEPLUS GOLD, WHICH IS A SHARIAH-COMPLIANT ETF**

demonstrate Bursa Malaysia's ability to attract up-and-coming innovative technology companies to list, and even those with regional presence. With the LEAP Market in place, we believe we are unleashing Bursa Malaysia's potential to emerge as a regional centre for innovative fundraising.

Reinforcing our supportive environment for SME fundraising, in May 2017 we launched the Mid and Small Cap Research Scheme (Bursa MidS) that raises the profile of mid and small-cap companies listed on the Exchange to attract greater investor interest. In its first phase, 100 listed securities were identified to receive analyst coverage from 20 research houses, with the number of listed companies under the research scheme to grow further. Within just seven months since its launch, 20 research companies had published 421 research reports on Bursa MidS covering 88 PLCs. This exemplifies the value and new insights that the Exchange and our intermediaries can deliver from an orchestrated, common goal. In conjunction with the launch of Bursa MidS, we also introduced the FTSE Bursa Malaysia MidS Cap Index and the FTSE Bursa Malaysia MidS Cap Shariah Index to further enhance investor interest in mid and small-cap companies.

In line with our aspiration to be a developed market, in October 2017 we launched the Bursa Malaysia Real Estate Investment Trust (REIT) Index, our 11<sup>th</sup> in-house calculated index. The launch ushers Malaysia into the ranks of developed markets such as the US, Hong Kong, Japan, Australia and Singapore in offering a dedicated REIT Index. The launch of the REIT Index also marks a significant milestone for the REIT sector in Malaysia and is anticipated to spur the REIT market with the creation of new offerings such as alternative REITs and exchange-traded funds (ETFs).

The year 2017 also marked the debut of the first commodity ETF on Bursa Malaysia – TradePlus Gold, which is a Shariah-compliant ETF that closely tracks the returns on gold. The offering of this new asset class of ETF by a new ETF issuer in our market, Affin Hwang Asset Management Bhd., augurs well with the direction we hope to see in our ETF space – with new types of ETFs and more issuers participating in the market.

New ETF Guidelines by the Securities Commission Malaysia are expected to be issued in 2018, which will enhance the ability of ETF issuers to issue a wider range of ETF offerings. The Exchange has been actively involved in the multi-organisation task force that was set up to spur innovation and drive ETF market growth.

**CREATING A MORE ROBUST ECOSYSTEM**

Underlying our new product and service offerings is our recognition that we must continually enhance and strengthen our market frameworks to ensure continued development of the market. This will improve the efficiency of the marketplace to facilitate price discovery and trading as well as boost its vibrancy. At the same time, we are committed to modernising market practices to stay abreast with more developed markets and jurisdictions. These initiatives are designed to firmly establish Bursa Malaysia as the region's leading marketplace.

In line with this, in February 2017 we revised the tick rule for Regulated Short Selling (RSS) and the Securities Borrowing and Lending – Negotiated Transactions (SBL-NT) Failed Trade Proposal frameworks to create a more efficient marketplace for price discovery and trading, which will in turn boost market liquidity. The revised tick rule will allow the execution of RSS orders at the best current asking price or higher, providing market participants with greater price flexibility in performing RSS. Meanwhile, the revised SBL-NT Failed Trade Proposal framework enables investors to borrow securities to settle potential failed trades, mitigating the risk of settlement failure and lowering the costs resulting from genuine errors in trading.

With these facilities, we expect to improve market liquidity, enhance flexibility for market participants in mitigating risks and reduce transaction costs of trading in our market. It will also encourage existing market interest in Bursa Malaysia's RSS and SBL.

Bursa Malaysia started and ended the year with more provisions for flexible trading mechanisms. In December 2017, we were proud to launch the Islamic Securities Selling and Buying – Negotiated Transaction (ISSBNT) model – the world's first Shariah-compliant alternative to SBL. We expect to see institutional capital market participants with Shariah mandates capitalising on this trading mechanism that was specifically developed to serve their needs. In the same month, the Exchange also introduced new trading features through the expansion of order types and validity, providing investors greater flexibility in managing their orders, which allows them to refine their trading and risk management strategies.

We have also worked towards attracting more market participants. Specifically, we succeeded in revamping the participantship structure for Bursa Malaysia Derivatives to attract new intermediaries, promoting an expanded list of advisers for the LEAP Market, and registering an increase in the number of Islamic Participating Organisations (POs) from nine to 14 on Bursa Malaysia-*i*.

To recognise the contributions of market intermediaries, we held the fourth Bursa Malaysia Excellence Awards in May 2017, awarding brokers for their contributions in building the Securities, Derivatives and Islamic Capital Markets. This year, we also expanded the award categories to include individual intermediaries such as the proprietary day traders and remisiers who also play a vital role in sustaining the momentum of our market.

In 2017, the Exchange had consciously stepped up and enhanced our stakeholder engagements. Sixty-nine engagements were held with broker partners to foster closer relationships. During these meetings, the Exchange shared data-backed insights on the performance of the PO relative to their peers, and sought feedback on various initiatives.

As the Exchange operator, we continue to recognise the importance of engaging with market participants. We actively sought open dialogue and feedback on consultation papers in undertaking our developmental efforts – from structuring the new LEAP Market, catalysing the ETF ecosystem, reviewing Main Market and ACE Market Listing Requirements, to the creation of the Corporate Governance Guide – with the aim of better meeting our stakeholders' needs.

#### ATTRACTING INVESTOR PARTICIPATION

As the Exchange operator, we also directly and indirectly helped create a facilitative environment for investors. To this end, we are truly heartened that the Government had gazetted a stamp duty exemption for a period of three years from January 2018, thereby lowering transaction costs of ETFs and structured warrants. We expect to see a boost in trading and liquidity of these exchange-traded products (ETPs), and we look forward to welcoming a greater variety of these ETPs in the coming years, in line with the growing popularity of these products globally.

## 69 ENGAGEMENTS WERE HELD WITH BROKER PARTNERS TO FOSTER CLOSER RELATIONSHIPS

THE EXCHANGE HAS  
REACHED AT LEAST  
**94,000**  
INDIVIDUALS VIA MORE THAN  
**600**  
INVESTOR ENGAGEMENTS

The Exchange has intensified its efforts in investor education and outreach to continue driving investor participation in the market. Cumulatively, in year 2017, Bursa's investor education programmes and marketing initiatives in collaboration with our Trading Participants and POs have reached at least 94,000 individuals via more than 600 engagements. The outreach efforts covered our Securities, Derivatives and Islamic Capital Markets, to grow investor participation in an inclusive manner. Notable highlights include the three-month 'What's Your Goal' campaign launched in November 2017 in collaboration with brokerage firms, with the aim of creating awareness and educating the public on investing in the securities market. Additionally, we held our inaugural Shariah Investing Fair, attracting 10,000 prospective and current retail investors to the event, which formed part of our wider efforts to improve awareness of and educate retail investors on Shariah-compliant capital market products and services as well as Shariah investing on Bursa Malaysia-*i*. We also launched the Shariah Trader Challenge, a virtual competition focused on the trading of Shariah-compliant securities on Bursa Malaysia.

## CHIEF EXECUTIVE OFFICER'S MESSAGE

### NAVIGATING THE FUTURE

Building on our achievements thus far, we will continue to focus on our five strategies to strengthen our competitive advantages to achieve our aspirations of becoming a developed market and the market leader in ASEAN by 2020.

#### ***Strengthen the Core***

We remain cognisant of the importance of reinforcing our fundamentals while extracting value from earlier initiatives, to facilitate continued growth of the capital market and enhance its vibrancy and attractiveness. We will continue to address structural impediments that hamper market liquidity, grow our product offerings, and strive to provide an enabling environment to improve market making as we focus on improving the depth and breadth of the market.

#### ***Build regional and global connectivity***

Our priority remains to position Malaysia as a centre of investment and fundraising in the region. This will require more foreign participation across our markets as well as greater linkages with our regional and global counterparts, which are especially important in view of heightened competition and increasing globalisation. To this end, Bursa Malaysia will leverage existing strategic partnerships and foster new or budding relationships to build the Exchange's regional connectivity. In the next few years, we expect to enter into more of such collaborations to better reach investors in key markets such as China and Indonesia. We endeavour to be the exchange partner of choice in ASEAN. We will also expand the global reach of our innovative Bursa Malaysia-*i* and BSAS platforms to capitalise on growing demand for asset diversification or socially responsible investing.

#### ***Capitalise on Technology and Information***

As an innovative organisation, we strive to keep pace with consumer and technology

trends. We expect consumer demand for digital, mobile and customer-friendly solutions to remain on an upward trajectory. To meet this need, we will continuously upgrade and enhance our systems to improve customer experience, while deploying enterprise data warehouse and analytics to establish ourselves as a forward-looking, data-driven exchange powered by analytics, insights and information to harness greater market participation. In further embracing innovation in line with developments in the global capital market, we will also pursue engagement opportunities in fintech for business development and better customer experience, and employ cutting-edge technology to enhance efficiencies in our regulatory and risk management functions.

#### ***Foster a High-Performance Organisation***

Building from the foundation of the optimised organisation structure that we have put in place, we will now focus on revving up Bursa Malaysia's productivity, efficiency and effectiveness – in short, to be a High-Performance Organisation. We are better positioned to nimbly and cohesively move forward to strategically navigate rapidly evolving regulations, technologies and emerging opportunities.

#### ***Embrace Sustainability as a Way of Life***

Bursa Malaysia prides itself as a frontrunner in this area, guiding and spurring Malaysian companies to embody sustainability within their operations. To ensure all Malaysian companies, including ourselves, continue to embrace sustainability, we have established a dedicated sustainability team to steer the sustainability agenda within Bursa Malaysia as well as among other PLCs. In doing so, we seek to nurture a world-class culture of sustainability among our corporates and epitomise international best practices in this area, ensuring all our companies possess the foundational pillars that will allow them to contribute to the betterment of our economy, society and environment for years to come.

### APPRECIATION

Bursa Malaysia has made significant headway in achieving our long-term plans. We believe we are successfully exemplifying our values both as the Exchange operator and as a leading PLC. The solid groundwork we have put in place in recent years stands us in good stead towards realising our aspirations for 2020.

On behalf of Bursa Malaysia's Management, I would like to extend our appreciation to our stakeholders for the support and co-operation that enabled our growth thus far. I also express gratitude to our employees for their tireless efforts and commitment in achieving our goals. Additionally, I would like to thank our Board of Directors for their counsel, as well as our regulators for their guidance and support.

In the long run, fluctuations in the global economies and capital markets are an inevitable element of our operating landscape. We are also acutely aware of the rapid shifts in technology and regulations that can impact our business. Nevertheless, we are confident that we are equipped with sound fundamentals and strategies to capitalise on new growth opportunities towards becoming a developed market at the heart of ASEAN by the year 2020.



**DATUK SERI TAJUDDIN ATAN**

Chief Executive Officer