

# CHAIRMAN'S STATEMENT

Dear Shareholders,

Bursa Malaysia's commitment to "strengthen the organisation from within", is reflected in the initiatives that have been executed over the course of 2019. The structural changes, investments in technology and people, market collaboration, and a more mature regulatory approach are the key forces that drive our plan to have a market that is deep, liquid, dynamic and competitive. Our aim is to build a marketplace where investors have access to diversified products and issuers can raise capital in a seamless and efficient manner.

The year under review was a challenging one both locally and globally. On a macro level, the global economy faced headwinds from the US-China trade tension, rising threats of trade barriers, lingering uncertainties over Brexit compounded by tensions in the Middle East. Domestically, the lack of catalysts in our economy saw subdued growth and weaker corporate earnings, dampening the already muted investor sentiment.

Whilst our benchmark FBMKLCI did not fare as well as the other benchmark indices in the region, our FBM MidS and Small Cap indices registered strong double-digit growth of 32.0% and 25.4%, respectively. The FBM Hijrah Shariah Index and the broader FBM Emas Shariah Index recorded positive growth of 0.8% and 3.9%, respectively<sup>1</sup>. Our Derivatives Market rallied in the fourth quarter of 2019, buoyed by market volatility and interest in crude palm oil contracts.

Against this backdrop, the Board of Directors of Bursa Malaysia Berhad (Board) is pleased to report that Bursa Malaysia Berhad (Bursa Malaysia or the Exchange) posted a Profit After Tax and Minority Interest (PATAMI) of RM185.9 million. In view of these results, the Board has declared a final dividend of 10.4 sen per share, bringing the total dividend for the year to 20.8 sen per share.

## Strengthening Our Stewardship

In 2019, we implemented our plans to strengthen Bursa Malaysia with the underlying goal of developing an attractive and competitive market. Whilst executing our plans, we remained mindful of the need to sharpen our mission, vision and priorities to pave the way for resilient growth in the new decade. We also recognise that as stewards of our capital market we have to be flexible and agile in our strategy to keep in line with the other exchanges. Over the course of the year, we further prioritised efforts that would optimise our existing strengths and elevate our organisation's effectiveness – particularly in our due processes, work culture, and talent management. Considering safety and welfare of our employees are of high priority, we have also taken measures to further ensure staff are equipped to prevent or handle potential threats.

With talent and top leadership in mind, the Board undertook significant steps in 2019 to bring Bursa Malaysia in line with the evolving needs of the Group. In addition to my assuming the role as Chairman of Bursa Malaysia on 1 March 2019, the Board also welcomed Datuk Muhamad Umar Swift as the new CEO of Bursa Malaysia on 11 February 2019. Our recently appointed Board members, Puan Uji Sherina binti Abdullah and Professor Joseph Cherian

<sup>1</sup> For the year ended 31 December 2019



Datuk Shireen Ann Zaharah Muhiudeen

bring with them specialised domain as well as industry knowledge and experience, especially in the areas of human capital transformation and the derivatives business, respectively. These are in line with some of Bursa Malaysia's strategic priorities moving forward. These additions are also consistent with the organisation's areas of growth and will ensure we have a competitive advantage for the future. Bursa Malaysia remains committed to avoiding groupthink at the Board. In this respect, besides having multi-faceted Board members, Bursa Malaysia has 50% women of diverse competencies and skills on its Board<sup>2</sup>.

#### Elevating Our Corporate Governance Model

The Board of Directors of Bursa Malaysia has always aligned the organisation's Corporate Governance (CG) principles to global standards. The Board invariably strives to ensure Bursa Malaysia sets an exemplary standard of corporate governance to other PLCs in Malaysia.

In this respect, I am pleased to report that as at 31 December 2019, Bursa Malaysia complied in all material aspects with the principles as set out in the Malaysian Code on Corporate Governance (MCCG). We also adopted all the 36 recommended practices in the MCCG including the four step-up practices. Bursa Malaysia was also the first PLC to enable remote shareholders' participation with voting in absentia at the Company's Annual General Meeting in March 2019, in line with Practice 12.3 of the MCCG, with the view to enhance the quality of engagement with our shareholders.

In 2019, we reviewed and enhanced Bursa Malaysia's Governance Model to be consistent with the Group's vision and ability to face challenges. This consonance between our goals and governance structures is essential to allow us to thrive in the rapidly evolving capital market landscape. Our intent is to improve the oversight of responsibilities as well as guidance by the Board, to advance the effectiveness of the Board.

<sup>2</sup> As at 31 January 2020

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The improvements include refining the terms of reference for the various Board Committees as well as the creation of two new committees and two consultative panels. These are the Technology and Cybersecurity Committee, the Market and Development Committee, and the Securities Market and Derivatives Market Consultative Panels. These new committees and consultative panels are to strengthen the effectiveness of the Board, as well as to raise the overall level of transparency within the organisation.

The new committees are formed to ensure robust custody and effective guidance of the vital areas within its purview, with members in possession of the requisite expertise. One fine example is Dr. Reto Gruenfelder who has deep professional experience in emerging and financial technologies, was recently appointed on 1 December 2019 to be an independent member of the Technology and Cybersecurity Committee.

We also enhanced governance on nomination and remuneration matters by separating these under the purview of different Board committees. Specifically, the former Nomination and Remuneration Committee (NRC) was replaced with a new Governance and Nomination Committee (GNC), as well as a Remuneration Committee (RC). The GNC is accountable to the Board on the effectiveness of the Group's governance structure, framework and policies to ensure the necessary resources for the Board and Management are in place. The RC assists the Board to ensure that framework and policies on the remuneration of the Non-Executive Directors and employees of Bursa Malaysia and its subsidiaries are fair, and implemented through a transparent and independent process. These layers of oversight are all intended to steer quality performance and long-term value creation by Bursa Malaysia.

I am also pleased to report that our Governance Model for Regulation and Conflicts Management is similar to that of leading international exchanges like the New York Stock Exchange (NYSE), Hong Kong Exchanges and Clearing Limited (HKEX) and the Australian Securities Exchange (ASX). This bears testament to our commitment to adopting current and global best practices to address potential conflict concerns.

### Fortifying the Capital Market Ecosystem

In 2019, Bursa Malaysia took steps to expand our capital market by widening our international collaboration and working to attract new investors. Our efforts include forging new strategic partnerships with technology companies, while enhancing our platforms to cater to international audiences. We launched new products to appeal to different investor segments and profiles. To further support our market ecosystem, we have been actively working with our market participants on a cost-sharing basis with regards to some of their market engagement activities. We also provided incentive schemes to help drive market vibrancy.

We have a value proposition to offer global investors and in 2019, we identified specific areas that will deepen our capital market. Our efforts cover business and structural endeavours where we continue to work closely with the industry to facilitate the delivery of our initiatives. Some of our efforts include the following:

Accelerating our growth in the derivatives business through efforts to further entrench Bursa Malaysia's position as the world's price discovery centre for palm oil and the world's marketplace for palm oil derivatives through expanding our suite of palm oil-related offerings

Carving out our Islamic Capital Market's niche through the offering of specialist trading platforms like Bursa Suq Al-Sila' (BSAS) and Bursa Malaysia-*i*, to continue drawing both local and global investors seeking Shariah-compliant investments

Taking substantial steps in enhancing product offerings, for example by significantly expanding the number and types of Exchange Traded Funds (ETFs) listed on our market

Shifting to the securities settlement cycle of two days, which reduces counterparty risk, improves operational efficiency, and increases global harmonisation by bringing Bursa Malaysia in line with regional and major exchanges around the world

Introducing electronic Negotiated Large Trade (eNLT) in December 2019 whereby trading and clearing participants of the Derivatives Market can now more efficiently submit and accept NLT orders online electronically



Group photo with former Chairmen of Bursa Malaysia - Engagement Session with Former Chairmen of KLSE/Bursa Malaysia on 10 February 2020  
(From left to right)

Datuk Shireen Ann Zaharah Muhiudeen, Dato' Mohammed Azlan bin Hashim, Dato' Nik Mohamed Din bin Datuk Nik Yusoff, and Tan Sri Amirsham bin A Aziz

Whilst we have progressed in our efforts to increase the vibrancy of our market, we recognise that there are also obstacles to this goal. These obstacles include the need to improve the cost structure of the market to ensure that we remain competitive. Brokers and other market participants are faced with rising costs of doing business. By working closely with our broker partners, we will be able to identify opportunities to lower or co-share costs. Addressing some of the cost structure issues in the capital market, especially amongst industry players, will be a focus in 2020.

In 2020, Bursa Malaysia will also focus on the following initiatives:

- (a) **Strengthen the director nomination process at listed issuers** – Nominating committees at each listed issuer should be required to ensure that Board members are “fit and proper”, with sound understanding of the responsibilities entrusted by the public and shareholders on them.
- (b) **Raise the bar for company secretaries** – This forms an integral part in ensuring good governance practices by our listed issuers. Hence, we will be exploring ways for company secretaries to be better empowered to assist the Board in upholding good governance. Among others, we will consider collaboration with other key capital market stakeholders apart from continuing our advocacy efforts.
- (c) **Promote accountability and transparency on environmental impact by PLCs** – For PLCs that have business operations or activities which might pose a risk or cause an adverse impact to the environment, we will consider enhancing the contents of the Sustainability Statement or Report by requiring disclosure of strategies, policies and processes implemented by the listed issuers to identify, assess and manage all such risks and impact to the environment. In addition, we will continue to provide detailed guidance and advocacy on sustainability, including the environmental aspect.
- (d) **Encourage PLCs to undertake climate-related risks and opportunities assessment** – With the increasing focus on climate-change and its financial impact on businesses, we see value in encouraging our PLCs to embrace voluntary, clear and consistent climate-related financial risks disclosures, so that investors and stakeholders are able to better assess the risks and opportunities presented by climate-change in the PLC’s Sustainability Statement or Report. Additionally, promoting information on PLCs’ exposure to climate-related risks and opportunities will also promote greater understanding of climate risks and facilitate the transition to a more stable and sustainable economy in Malaysia.
- (e) **Promote Malaysian PLCs through new and innovative channels** – Our 2020 plan includes profiling some of our PLCs across various media channels. Engaging content with relevant messages will be captured and disseminated to give potential investors better insights to, and appreciation of our PLCs.
- (f) **Raise retail participation and education** – We will step up our outreach through targeted and impactful programmes in partnership with brokers to facilitate greater retail participation in an informed manner. Much has been done in this space, but there is further room to build wider retail participation in the capital market for wealth generation, shared prosperity, and market vibrancy.

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### Raising the bar on corporate sustainability and responding to climate risk

Bursa Malaysia continuously seeks to raise CG and sustainability standards across PLCs. In 2019, we have undertaken several initiatives targeted at raising the awareness and accountability of Boards, Directors and PLCs, with regards to their responsibility in discharging their duties in areas of governance and sustainability, such as:

1

Taking steps to advance the National Anti-Corruption Plan 2019 – 2023 (NACP) - In December 2019, we introduced amendments to our Main Market and ACE Market Listing Requirements relating to anti-corruption and whistle-blowing measures, to take effect from 1 June 2020. These amendments require PLCs to establish appropriate anti-corruption and whistle-blowing policies & procedures, aimed at promoting better governance culture and ethical behaviour. In November 2019, Bursa Malaysia and the Malaysian Anti-Corruption Commission (MACC) announced plans to establish a learning collaboration to further enhance efforts to combat corruption in Malaysia. This initiative is expected to start in the second quarter of 2020.

2

Recognising the risks from climate change and also our obligations – Our efforts are intended to raise the awareness and appreciation amongst PLCs of their ability to play a pivotal role in mitigating the irreversible or detrimental effects of climate inaction through their actions and decisions. Therefore, in addition to managing our own environmental footprint, Bursa Malaysia aims to influence the capital market to accelerate efforts to meet climate goals. Part of our role as the stock exchange and sustainability advocate is to promote the Task Force on Climate-Related Financial Disclosures (TCFD) Recommendations as a means to help PLCs future-proof their businesses, enhance market quality, drive capital towards sustainable investments and facilitate an effective transition to a low-carbon economy.



### Acknowledgements

On behalf of Bursa Malaysia's Board of Directors, I would like to take the opportunity to extend my appreciation to Bursa Malaysia's previous Chairman, Tan Sri Amirsham A Aziz, and our past Board members who retired from the Board in 2019.

I would also like to express the Board's gratitude to our shareholders for their continued support, as well as to the Management and staff of Bursa Malaysia, for their commitment and determination in achieving our mission. We also extend our thanks to our policy makers for facilitating a stable and secure environment in which we operate, thus, allowing us to strive to achieve our goals. To our ecosystem and strategic partners, we sincerely appreciate your sustained input and consistent feedback on how Bursa Malaysia can continue to enhance our offerings and create a vibrant marketplace for all.

I would also like to express my deepest gratitude to my Board of Directors for their commitment and robust views during the year. It has been a privilege to serve alongside you and I look forward to serving with you in 2020.



**Datuk Shireen Ann Zaharah Muhiudeen**  
Chairman