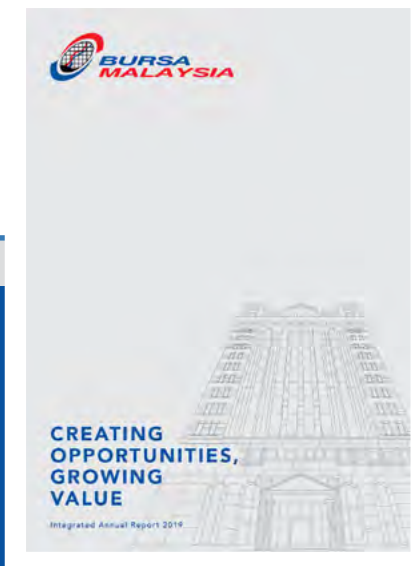




# CREATING OPPORTUNITIES, GROWING VALUE

Integrated Annual Report 2019





◀ Bursa Malaysia Integrated Annual Report 2019

## CREATING OPPORTUNITIES, GROWING VALUE

The minimalist cover design for our Integrated Annual Report 2019 is intended to convey a sense of clarity of purpose and focus for Bursa Malaysia. It is also to showcase our iconic building at Bukit Kewangan which is situated in the Central Business District of the Kuala Lumpur City Centre. The rendition symbolises stability, longevity, continuity for the Malaysian capital market and strengths that we continue to drive towards our aspirations of always “Creating Opportunities, Growing Value”.

**i** This interactive PDF allows you to access information easily, search for a specific item or navigate between pages, sections and links.

☰ Content List [Link](#)

◀ Previous Page ▶ Next Page

### VISION:

TO BE ASEAN'S LEADING, RESPONSIBLE AND GLOBALLY-CONNECTED MARKETPLACE

### MISSION:

- We provide easy access to diversified, impactful products and services for global market participants
- We are a High-Performance Organisation with a data-driven culture, fuelled by innovation and technology, and powered by strategic partnerships
- We foster sustainable development in the marketplace by promoting responsible growth while facilitating fundraising, value and wealth creation for all

### OUR CORE VALUES

-  **Building Relationships**  
We work together with partners in the industry and community to deliver mutually beneficial outcomes
-  **United to Achieve**  
We work hand-in-hand as a team to build a High-Performance Organisation focused on achieving our goals
-  **Responsibility**  
We are accountable, as an individual and organisation, for the outcomes of our conduct and actions
-  **Simplicity**  
We simplify processes and structures and encourage innovation to deliver timely and transformative results
-  **Agility**  
We adapt to evolving market and operating conditions to achieve our targets

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# ABOUT THIS REPORT

Bursa Malaysia Berhad's Integrated Annual Report 2019 provides a comprehensive account of how we create value for our stakeholders and the way we manage our material matters. This report has been compiled with information that was relevant and accurate as at the time of publication and provides an overview of our performance for the year under review. It also details our strategic and developmental plans going forward.

## REPORTING PRINCIPLES & FRAMEWORK

Bursa Malaysia Berhad's (Bursa Malaysia or the Exchange) Integrated Annual Report (IAR) complies with the Bursa Malaysia Securities Berhad Main Market Listing Requirements (MMLR) and takes guidance from the International Integrated Reporting Framework (<IR> Framework) issued by the International Integrated Reporting Council (IIRC).

Bursa Malaysia's financial statements for the financial year ended 31 December 2019 have been prepared in accordance with the following:

- Malaysian Financial Reporting Standards
- International Financial Reporting Standards
- Companies Act 2016

Our detailed sustainability reporting can be found in our Sustainability Report 2019, which has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option, MMLR and the FTSE4Good Bursa Malaysia Index criteria. This is the third consecutive year where we have incorporated the United Nations' Sustainable Development Goals (SDGs) in our approach to sustainability.

[For more information, please refer to https://www.bursamalaysia.com/about\\_bursa/sustainability/overview](https://www.bursamalaysia.com/about_bursa/sustainability/overview)

## SCOPE AND BOUNDARIES

This IAR covers the primary activities of Bursa Malaysia, namely our overall performance and the delivery of our initiatives towards achieving our goals. In line with the <IR> Framework, this IAR covers both the financial and non-financial performance of Bursa Malaysia and specifies the material matters, opportunities and outcomes for our stakeholders, which may impact how we create value. This report covers the period from 1 January 2019 to 31 December 2019, unless otherwise stated.

## CONTINUING OUR INTEGRATED REPORTING JOURNEY

As Malaysia's national stock exchange and frontline regulator, Bursa Malaysia has a responsibility to lead by example. To that end, we have adopted the best-in-class in disclosure standards in line with our aspirations of becoming a model Public Listed Company (PLC) while we continue to implement initiatives to drive greater disclosure quality and transparency within the Malaysian marketplace. This IAR is our commitment put into practice.

This IAR explains the relationship between the resources we use, the actions that we take and the value that we create for our stakeholders. It also draws closer links between our financial and non-financial risks and opportunities to give investors a clearer view of Bursa Malaysia's long-term prospects and continued growth potential. Our use of the <IR> Framework also allows stakeholders to make better comparisons in their evaluation of our performance against global peer exchanges across a range of metrics.

## MATERIAL MATTERS

In 2019, we embarked on a review of our Material Matters<sup>1</sup> via a online survey with our internal and external stakeholders. As a result, a total of 17 Material Matters were selected and approved by the Board of Directors. These matters are grouped into five broad Priority Areas, namely:

- Enhancing Competitiveness
- Ensuring Market Integrity and Stability
- Fostering a Responsible Marketplace
- Leveraging on Technology and Innovation
- Building a High-Performance Organisation

These constitute the principal areas that affect or are affected by our value creation activities.

[For more information on our Material Matters, refer to pages 38 to 45](#)

## FORWARD-LOOKING STATEMENT AND DISCLAIMER


This IAR contains forward-looking statements that are subject to risks and uncertainties that could cause some variance between actual results and the expectations communicated by our forward-looking statements. These forward-looking statements should not be construed as guarantees or predictions of Bursa Malaysia's future performance. Readers of this IAR are advised not to place undue reliance on our forward-looking statements.

<sup>1</sup> Our Material Matters are defined as those that are of most importance to Bursa Malaysia, based on our significant economic, environmental, and social impacts and which substantively influence the assessments and decisions of our key stakeholders. They are also determined based on how they impact or are impacted by our value creation activities. Under the <IR> Framework, value creation is described in the context of the six forms of capital, which are listed on page 8

# ABOUT THIS REPORT

## REPORTING STRUCTURE & NAVIGATION

Bursa Malaysia's 2019 Report provides a comprehensive and accurate account of our value creation activities. Our IAR 2019 provides a holistic account of our financial and non-financial activities. For more information on our sustainability efforts, please refer to our Sustainability Report (SR) 2019 online. Disclosure made and Reporting Framework used for both IAR and SR are summarised below:

<p><b>Integrated Annual Report 2019</b></p> 	<p><b>Disclosure</b></p> <ul style="list-style-type: none"> <li>• Management Discussion and Analysis</li> <li>• Financial Review</li> <li>• Our Material Matters and Approach to Sustainability</li> <li>• Corporate Governance Overview</li> <li>• Audit Committee Report</li> <li>• Statement on Internal Control and Risk Management</li> <li>• Directors' Report</li> <li>• Independent Auditors' Report</li> <li>• Financial Statements</li> </ul>	<p><b>Reporting Framework</b></p> <ul style="list-style-type: none"> <li>• Malaysian Code on Corporate Governance</li> <li>• Bursa Malaysia Securities Berhad Main Market Listing Requirements</li> <li>• IIRC &lt;IR&gt; Framework</li> <li>• Companies Act 2016</li> <li>• Malaysian Financial Reporting Standards</li> <li>• International Financial Reporting Standards</li> </ul>
<p><b>Sustainability Report 2019</b></p> 	<p><b>Disclosure</b></p> <ul style="list-style-type: none"> <li>• Governance</li> <li>• Reporting Scope and Boundaries</li> <li>• Assessment of Material Matters and Stakeholder Engagement</li> <li>• Management Approach of Material Sustainability Risks and Opportunities</li> </ul>	<p><b>Reporting Framework</b></p> <ul style="list-style-type: none"> <li>• Bursa Malaysia Securities Berhad Main Market Listing Requirements</li> <li>• GRI Standards</li> <li>• FTSE4Good Bursa Malaysia Index criteria</li> </ul>

## APPROVAL BY THE BOARD

The Board has applied its collective mind to present Bursa Malaysia's integrated report, as guided by the <IR> Framework issued by the IIRC. The Board acknowledges its responsibility in ensuring the integrity of this IAR, through good governance practices and internal reporting procedures.



**Datuk Shireen Ann Zaharah Muhiudeen**  
Chairman  
Bursa Malaysia Berhad



**Datuk Muhamad Umar Swift**  
Chief Executive Officer  
Bursa Malaysia Berhad



These reports are available online at: [https://bursa.listedcompany.com/iar\\_2019.html](https://bursa.listedcompany.com/iar_2019.html)

section  
**01**

## Positioned For Value Creation

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Click on the links [↗](#) to further information within the document.

## WHO WE ARE

Bursa Malaysia is an exchange holding company incorporated in 1976 and a public listed company since 2005. We operate a vibrant and diverse marketplace in ASEAN, which is one of the fastest growing economic regions in the world.

Today, the Exchange is home to the largest number of Public Listed Companies (PLCs) in ASEAN.<sup>1</sup> Our PLCs are listed across the Main Market, the ACE Market and the LEAP Market.

A fully-integrated exchange, Bursa Malaysia offers a full-suite of products, including Equities, Derivatives, Offshore and Shariah-compliant products, as well as Exchange-Traded Funds (ETFs), Real Estate Investment Trusts (REITs), Structured Warrants (SWs) and Exchange-Traded Bonds and Sukuk (ETBS). We provide a full-range of exchange-related services, including listing, clearing and settlement, depository, and offshore listing of Bonds and Sukuk. Our diverse offerings also include our Bursa Suq Al-Sila' (BSAS) Shariah-compliant commodity Murabahah trading platform and provision of market data.

Bursa Malaysia is a global leader in niche markets where we continue to develop innovations and create value for market participants from around the world. Our Bursa Malaysia-*i* platform, for instance, provides end-to-end Shariah-compliant securities trading solution. On the other hand, our BSAS platform facilitates Shariah-compliant liquidity management. In addition, our Crude Palm Oil Futures (FCPO) contracts serve as the global price benchmark for the commodity.

Last but not least, Bursa Malaysia is committed to driving the adoption and integration of sustainable and responsible principles in our marketplace. We introduced our globally-benchmarked FTSE4Good Bursa Malaysia Index in 2014 and amended our listing criteria to require that our PLCs report on their sustainability practices. These initiatives, collectively, have injected greater awareness and practices into our marketplace and transformed it into a more vibrant and attractive destination for global investors.

### OUR ROLES

Bursa Malaysia plays a number of different roles in relation to our various stakeholders, as described below:

- 1 Market Operator:**  
 We facilitate secure and easy access to investment and fundraising by providing reliable and resilient market infrastructure and ensuring accessibility to our products and services.
- 2 Frontline Market Regulator:**  
 We ensure that our listed issuers and intermediaries meet their regulatory obligations to uphold investor protection, market integrity and stability.
- 3 Influencer:**  
 We are a standard setter in the areas of corporate governance and sustainability, with the aim of building a strong sustainability culture across the Malaysian capital market and serving as an exemplary model of sound corporate governance to our stakeholders.
- 4 Shareholder Value Creator:**  
 We build sustainable value for our shareholders through capital preservation and appreciation.

<sup>1</sup> Source: World Federation of Exchanges as at 31 December 2019

WHO WE ARE

OUR PRODUCTS AND SERVICES

Bursa Malaysia is an integrated exchange with diversified, multi-asset class offerings. We provide investors and traders of differing objectives and risk appetites, the opportunities and avenues for dividend, capital appreciation and preservation, as well as hedging opportunities. We are also home to the largest number of PLCs in ASEAN and offer issuers seamless access to raise capital.

The Exchange comprises:

- Main Market for established companies
- ACE Market for companies with growth potential under a sponsor-driven regime
- LEAP Market for emerging small and medium enterprises under an advisor-driven market for sophisticated investors only
- Equity-linked products & bond trading services
- A futures and options exchange
- Shariah-compliant products and services through Bursa Malaysia-i
- A Shariah-compliant commodity Murabahah trading platform
- Labuan International Financial Exchange

As an end-to-end facilitator of trading, we also provide:

- Post-trade services
- Technology infrastructure and services to support our market operations
- Information services, including market data and indices, to uplift the visibility of our PLCs and help investors make investment decisions
- BursaMKTPLC, an online platform that provides investors and traders with the information they need to conduct analysis, investing and trading
- BURSASUSTAIN, a one-stop repository of information for corporate governance, sustainability, and responsible investment
- Bursa Anywhere, the first mobile CDS electronic platform in ASEAN

Our comprehensive risk management framework provides safeguard against the material risks and enables our stakeholders to confidently invest, trade and raise funds in our capital market.

OUR MARKETS

As at 31 December 2019

Securities Market

We operate the securities market in Malaysia where investors can participate in the buying and selling of shares on the following markets:

Main Market 772 PLCs	ACE Market 129 PLCs	LEAP Market 28 PLCs
-------------------------	------------------------	------------------------

Together these markets comprise 21 sectors that cover 50 economic activities. Our products include:

724 Structured Warrants	16 ETFs
234 Warrants	1 SPAC
18 REITs*	4 ETBS
8 Foreign Listings	1 Closed-End Fund

Market Capitalisation  
RM1.7 trillion

Derivatives Market

We offer 15 derivative products related to equity, financial and commodity.

4 Equity Derivatives	4 Financial Derivatives	7 Commodity Derivatives
----------------------	-------------------------	-------------------------

Islamic Capital Market

We offer diverse Shariah-compliant products and services. Our Bursa Malaysia-i provides a comprehensive end-to-end Shariah-compliant securities trading solution. Our BSAS platform facilitates Shariah-compliant liquidity management.

Our Shariah-compliant securities are a subset of our Securities Market. These offerings include:

714 i-Stocks	6 i-ETFs	4* i-REITs	4 ETBS
--------------	----------	------------	--------

Offshore

We operate the Labuan International Financial Exchange (LFX) which is based in Labuan. LFX is a full-fledged stock exchange.

USD 20.8 billion  
Market Capitalisation

17  
Bond Listings

11  
Sukuk Listings

\* Including one Stapled Securities

OUR PERFORMANCE

Five-Year Highlights	2015	2016	2017	2018	2019
<b>Key Operating Results (RM million)</b>					
Operating Revenue	487.7	472.7	522.1	523.3	480.1
Operating Expenses	239.8	236.2	250.4	241.3	246.2
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	271.7	260.7	295.5	304.0	254.7
Profit after Tax and Minority Interest (PATAMI)	198.6	193.6	223.0	224.0	185.9
<b>Other Key Data (RM million)</b>					
Total Assets	2,086.5	2,436.4	2,224.9	2,434.6	2,321.0
Total Liabilities	1,267.0	1,549.1	1,362.4	1,547.1	1,560.2
Shareholders' Equity	803.4	868.9	850.0	875.2	760.8
Capital Expenditure	14.1	10.5	13.5	13.5	19.6
<b>Financial Ratios (%)</b>					
Operating Revenue Growth	3.5	(3.1)	10.4	0.2	(8.2)
Cost to Income Ratio	46.2	46.6	45.1	44.0	49.1
Net Profit Margin	39.8	40.0	41.3	41.9	37.7
PATAMI Growth	0.2	(2.5)	15.2	0.4	(17.0)
Return on Equity (ROE)	25.6	23.2	26.0	26.0	22.7
<b>Share Information</b>					
Earnings per Share (EPS) (sen)	24.8	24.1	27.7	27.8	23.0
Net Dividends per Share (sen)	23.0	22.6	35.7	33.6	20.8
Dividend Yield (%)	4.1	3.8	5.3	4.9	3.4
Payout Ratio (%)	92.9	94.2	92.8	92.3	90.5
Net Assets per Share (RM)	1.00	1.08	1.05	1.08	0.94
Share Price - High (RM)	6.00	6.17	7.37	8.19	7.41
Share Price - Low (RM)	4.99	5.45	5.82	6.73	5.92
Share Price as at 31 December (RM)	5.57	5.90	6.75	6.84	6.09
Price Earnings Ratio (times)	22	24	24	25	26
Market Capitalisation (RM billion) - Company	4.5	4.7	5.4	5.5	4.9

# OUR VALUE CREATION MODEL

## OUR VALUE CREATION MODEL

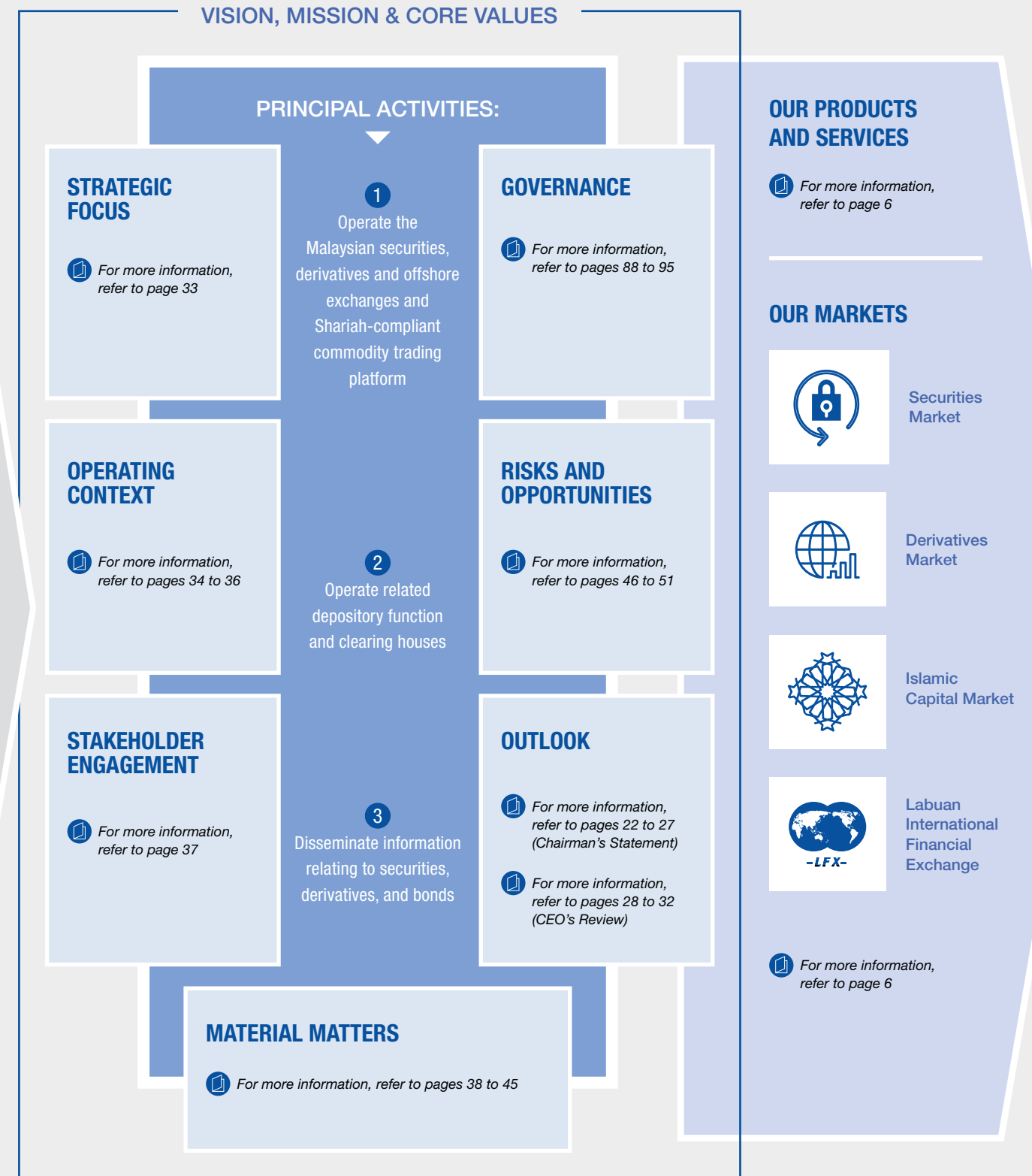
### OUR CAPITAL INPUTS

### OUR VALUE CREATION PROCESS

### OUTPUTS

1	<b>FINANCIAL CAPITAL</b> Bursa Malaysia's financial capital consists of revenue generated from operations and its share capital generated from its public listing and derived from other sources prior to listing.	<b>SHARE CAPITAL</b> <b>RM430.4 million</b> 2018: RM424.1 million	<b>OPERATING REVENUE</b> <b>RM480.1 million</b> 2018: RM523.3 million
	<b>HUMAN CAPITAL</b> Bursa Malaysia considers its people among its valuable resource and employs talented and qualified individuals at all levels of the organisation.	<b>NUMBER OF EMPLOYEES</b> <b>600</b> 2018: 589	<b>GENDER DIVERSITY</b> <b>MALE: 51%</b> <b>FEMALE: 49%</b> 2018: Male: 52% Female: 48%
3	<b>INTELLECTUAL CAPITAL</b> Bursa Malaysia, being the only exchange in Malaysia, has over the years developed its own intellectual capital such as rules, processes, procedures, products and services to facilitate the operation of a secured, stable, reliable and trusted marketplace. This also includes proprietary systems that have been developed such as Bursa Suq Al-Sila'.	<b>DERIVATIVE PRODUCTS</b> <b>15 products</b> 2018: 15 products	<b>INDICES AVAILABLE</b> <b>Bursa Sector Index: 13</b> <b>FTSE Bursa Malaysia Index Series: 16</b> 2018: Bursa Sector Index: 13 FTSE Bursa Malaysia Index Series: 16
		<b>BURSA SUQ AL-SILA'</b> <b>222 participants</b> 2018: 173 participants	
4	<b>MANUFACTURED CAPITAL</b> Bursa Malaysia's main manufactured capital consists of exchange services, namely trading, clearing, settlement and depository services. It also consists of various systems, data centre and cyber security infrastructure.	<b>COMPLIANCE TO THE PRESCRIBED RTO GUIDELINE FOR POST-TRADE SYSTEMS</b> <b>100%</b> 2018: 100%	<b>CRITICAL SYSTEM AVAILABILITY AND RELIABILITY</b> <b>99.98%</b> 2018: 100%
		<b>SOCIAL CAPITAL</b> Bursa Malaysia's main social capital consists of its relationships of trust built with key stakeholders including investors, PLCs, regulators, intermediaries and communities.	<b>PUBLIC LISTED COMPANIES</b> <b>929</b> 2018: 915
5		<b>COMMUNITY AMOUNT RAISED BY THE BURSA BULL CHARGE</b> <b>1.8 million</b> 2018: 2.1 million	
		<b>NATURAL CAPITAL</b> Bursa Malaysia's main natural capital consumed in its value creation activities is the energy used to power its infrastructure and systems.	<b>TOTAL ELECTRICITY CONSUMPTION</b> <b>8,977MWh</b> 2018: 9,196MWh

We have restated our carbon emissions data for the past two years (2018 and 2017) to include additional emission sources and to reflect the latest available emission factors.



OUR VALUE CREATION MODEL

OUR VALUE CREATION MODEL

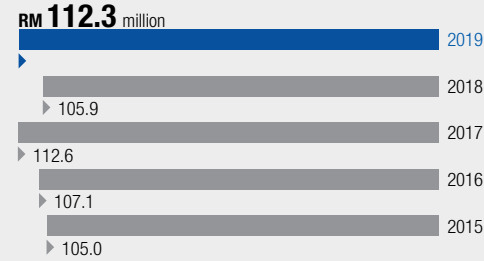
OUTCOMES AND VALUE CREATED

TOTAL FINANCIAL VALUE CREATED IN 2019 : RM502.5 MILLION

Advancing Our Business

to achieve continued growth and ensure the creation of long-term value.

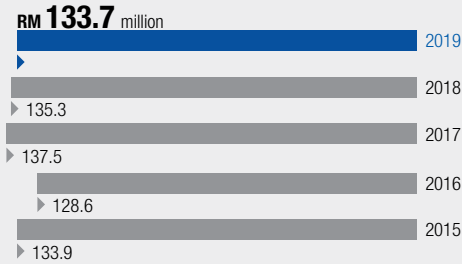
Funds Reinvested >



Investing In Our Talent Pool

to develop a data-driven High-Performance Organisation (HPO) which is focused on growth and sustainable, long-term value creation.

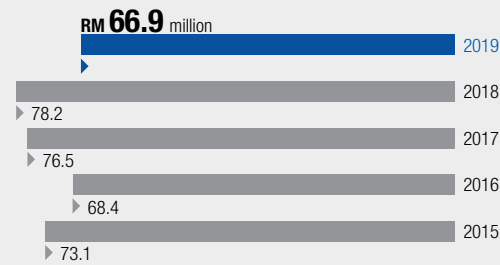
Employee Remuneration and Investment >



Contributing To Society

to continue empowering local communities through taxes, Yayasan Bursa Malaysia's scholarships, donations and financial aid.

Contributions to Our Communities >

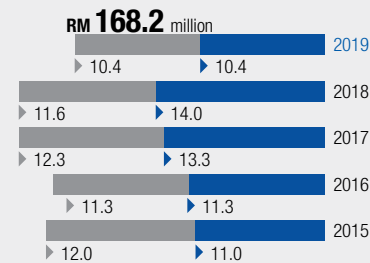


Rewarding Our Shareholders

through regular payment of dividends. Since our listing in 2005, we have returned more than 90% of our profits through dividends.

Dividend Per Share\* > (excluding special dividend)

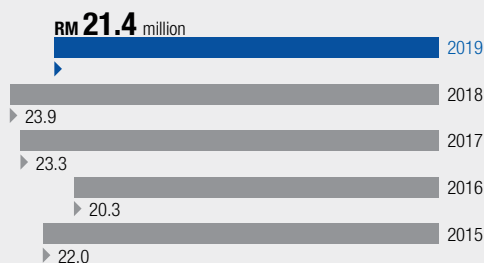
■ Interim Dividend ■ Final Dividend



Sustaining Long-Term Value

for our future investment needs in order to create long-term sustainable value for our stakeholders.

Retained Earnings >



NON-FINANCIAL VALUE

ENHANCING CUSTOMER EXPERIENCE

Creating a more facilitative trading environment for investors, developing new innovative solutions such as e-services, and ensuring sound investor protection and governance

For more information, refer to pages 53 to 75 (MD&A)

For more information, refer to pages 88 to 95 (Corporate Governance Overview)

For more information, refer to pages 96 to 101 (Marketplace Report: Fair & Orderly Markets)

Offering a wide range of investment options and serving as one of the leading ASEAN destination for fundraising and Islamic capital market activities

For more information, refer to page 6 (Our Products and Services and Our Market in the Who We Are Section)

SUPPORTING COMMUNITIES

Committed to being a responsible corporate citizen by contributing our time, expertise and knowledge to our community

For more information, refer to Chapter 11 in our SR2019

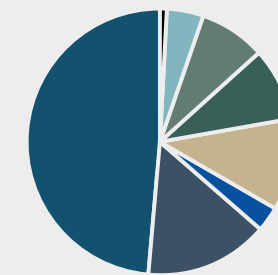
BUILDING A HIGH-PERFORMANCE ORGANISATION

Committed to creating a work environment for our employees that is conducive for their personal and professional development, forging a culture that is innovative, engaging and rewarding while investing in the training of our employees

For more information, refer to Chapter 10 in our SR2019

OUR INVESTMENT CASE

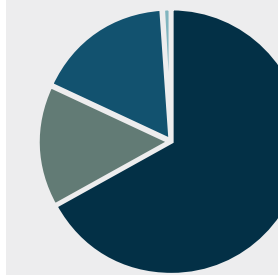
Operating Revenue



Category	Revenue (RM million)
Securities Trading	232.8
Derivatives Trading	72.3
BSAS Trading	14.0
Listing and Issuer Services	54.0
Depository Services	41.9
Market Data	38.6
Member Services and Connectivity	21.5
Conference and Exhibition Related	5.0

Total operating revenue for 2019 was RM480.1 million.

Shareholder Mix (%)

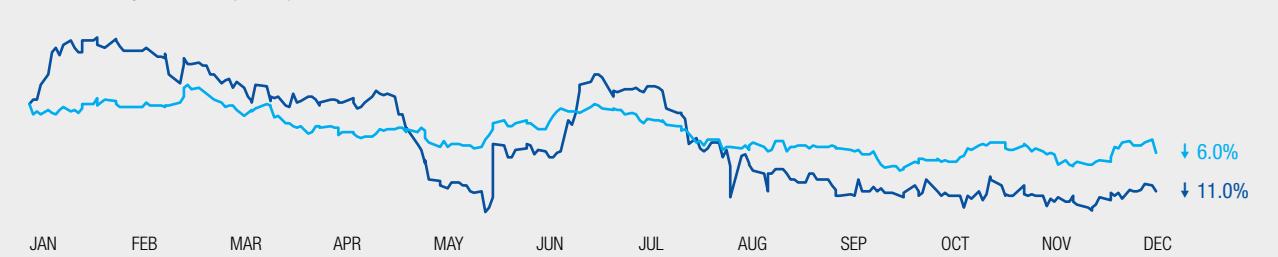


Category	Percentage (%)
Domestic Institution	67
Domestic Retail	15
Foreign Institution	17
Foreign Retail	1

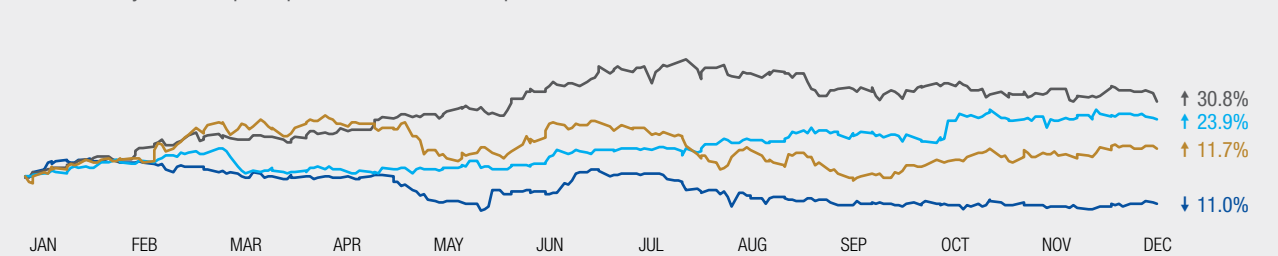
Our public shareholding of 81.36% represents a fair free float of Bursa Malaysia's shares and a healthy level of liquidity. As at the end of 2019, we had a total of 22,699 shareholders.

Share Price Performance

Bursa Malaysia share price performance vs. FBMKLCI



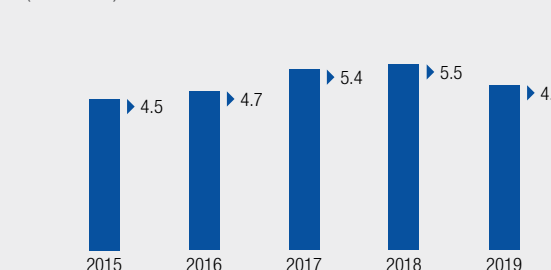
Bursa Malaysia share price performance vs. listed peers



Bursa Malaysia's share price declined by 11.0% in 2019. Starting the year at RM6.84, it hit an intraday high of RM7.44 on 29 January 2019 and closed at its highest at RM7.41 on 22 January 2019. The share price closed at RM6.09 on 31 December 2019.

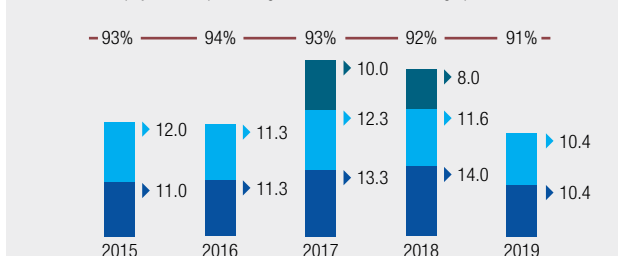
Market Capitalisation

As at 31 December (RM billion)

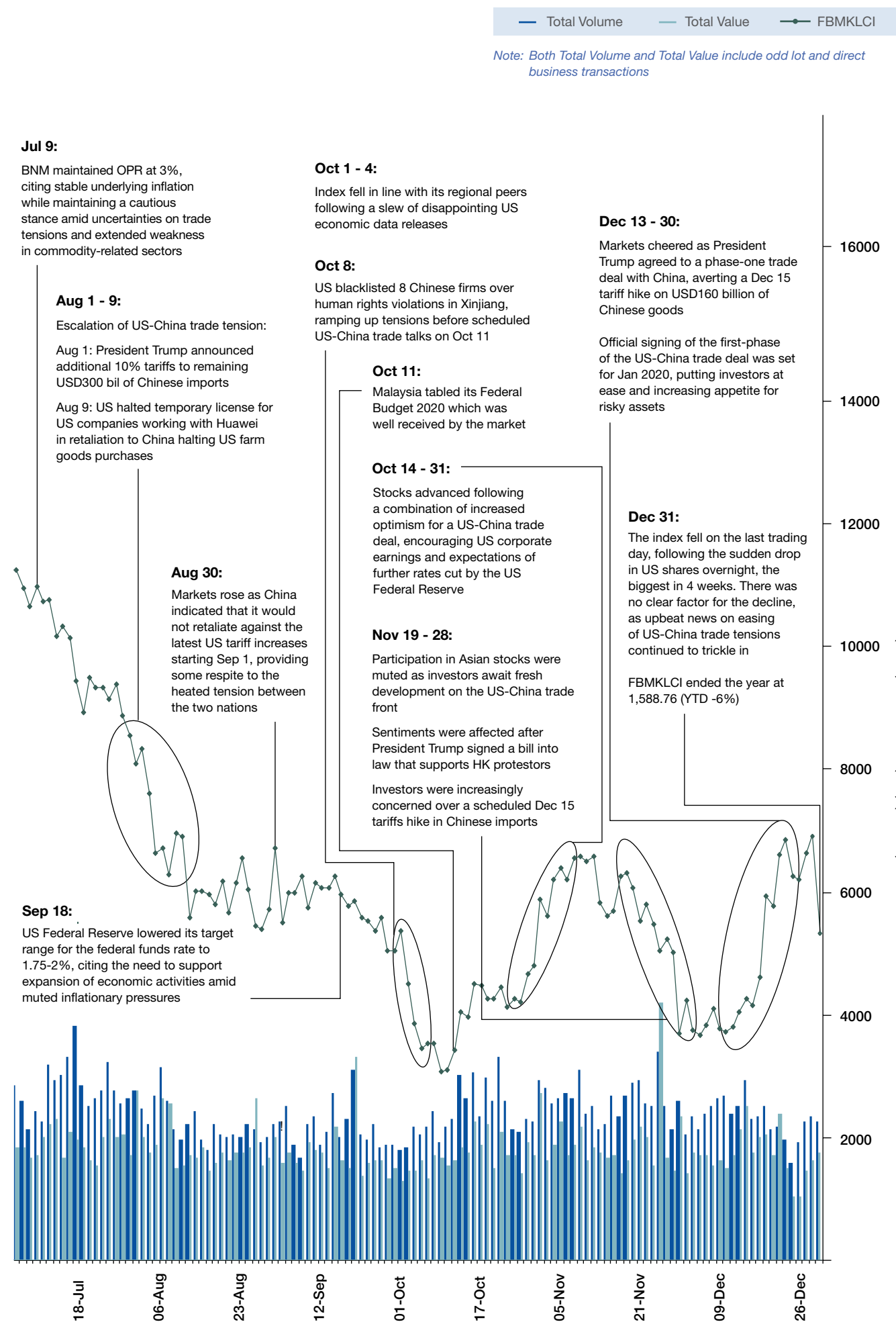
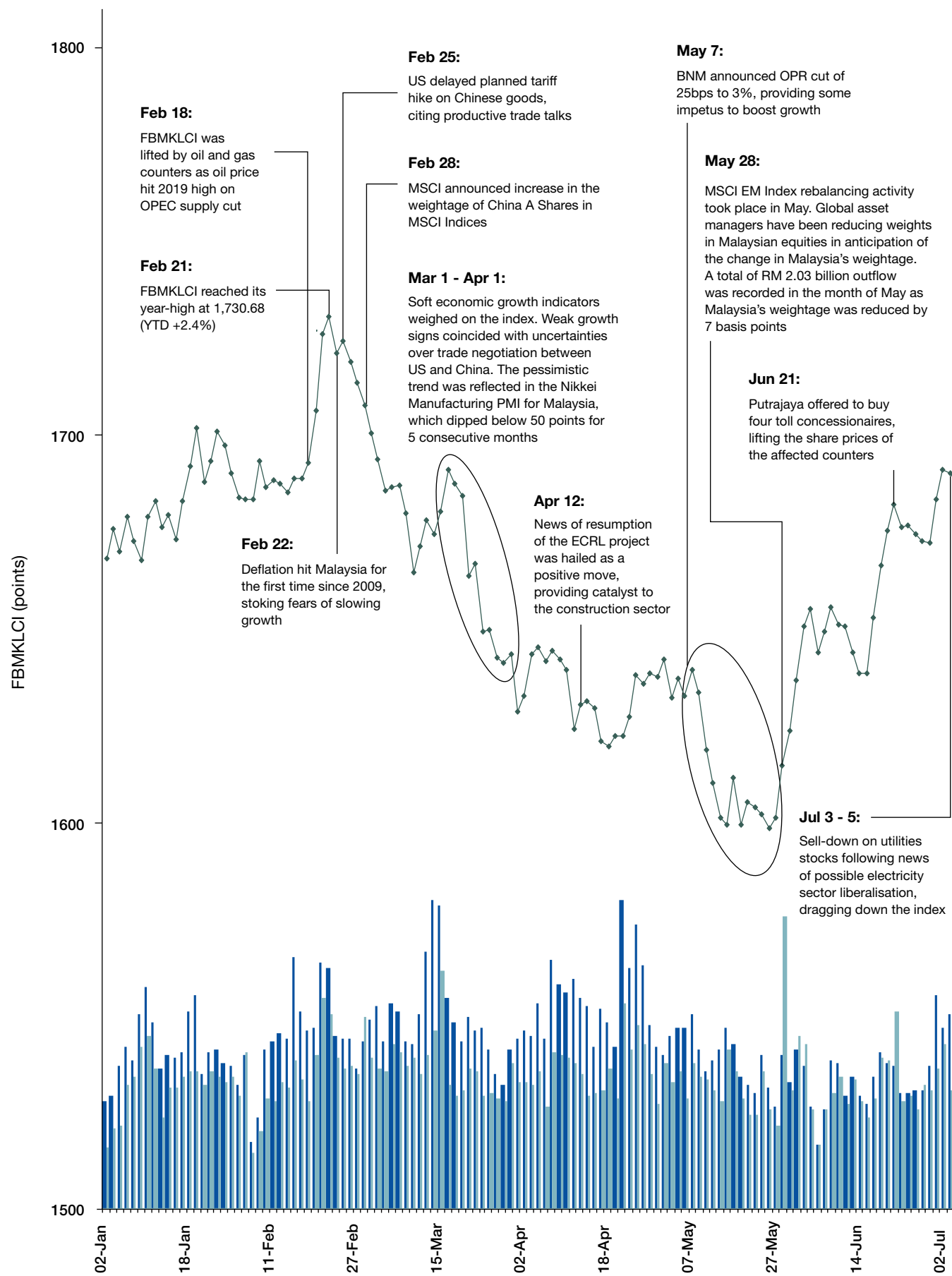


Dividend Payout To Shareholders (sen per share)

■ Interim Dividend ■ Final Dividend ■ Special Dividend  
— Dividend payout as a percentage of PATAMI, not including special dividend



# OVERALL MARKET PERFORMANCE

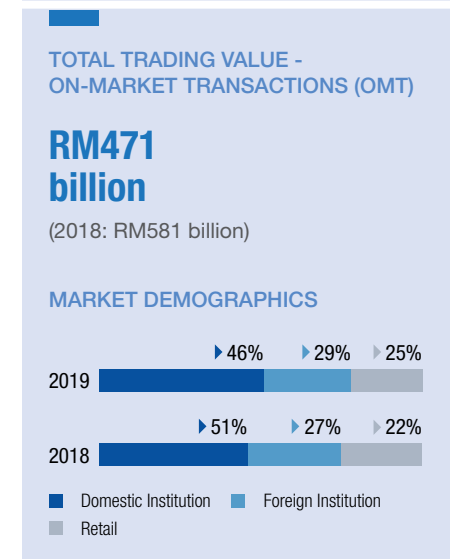
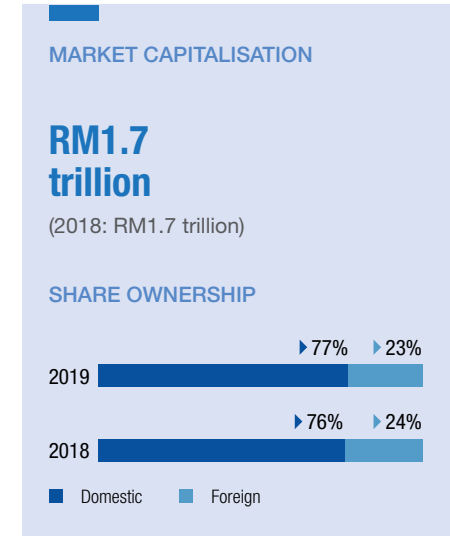
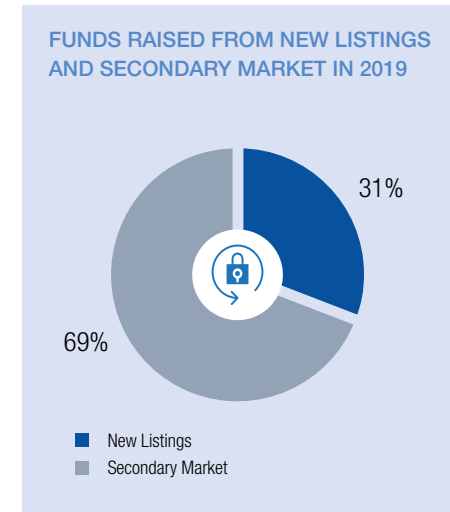


# MARKET HIGHLIGHTS

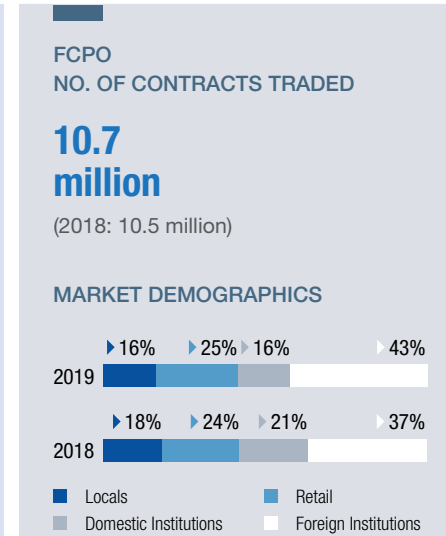
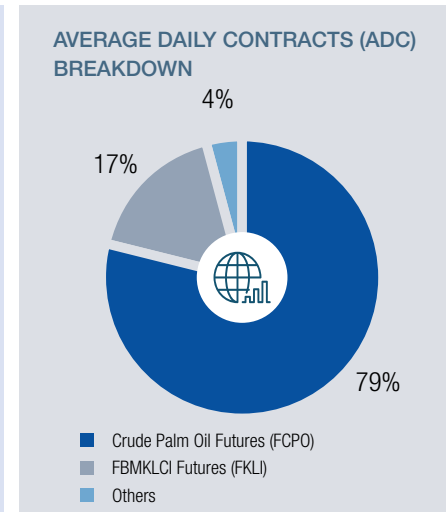
	2015	2016	2017	2018	2019
<b>Securities Market</b>					
FBMKLCI	1,692.51	1,641.73	1,796.81	1,690.58	1,588.76
Total Market Capitalisation (RM billion)	1,695	1,667	1,907	1,700	1,712
Velocity (%)	30	27	32	32	28
Average Daily Trading Volume - OMT & DBT (million shares)	2,038	1,763	2,639	2,647	2,677
Average Daily Trading Volume - OMT (million shares)	1,966	1,666	2,540	2,549	2,515
Average Daily Trading Value - OMT & DBT (RM million)	2,082	1,968	2,530	2,574	2,153
Average Daily Trading Value - OMT (RM million)	1,991	1,812	2,314	2,392	1,930
Total Trading Volume - OMT & DBT (billion shares)	501	434	641	643	653
Total Trading Value - OMT & DBT (RM billion)	512	484	615	625	525
Total Funds Raised (RM billion)	21.2	12.8	21.9	9.2	6.5
Total Listed Counters	1,739	1,750	1,840	1,873	1,971
No. of PLCs	903	904	905	915	929
- No. of New Listings	10	11	12	22	30
- No. of Delistings	14	10	13	12	16
No. of Listed REITs	17	17	18	18	18
- No. of New Listings - REITs	1	-	1	-	-
- No. of Delistings - REITs	-	-	-	-	-
No. of Listed ETFs	8	8	9	10	16
- No. of New Listings - ETFs	2	-	1	1	6
No. of Listed Structured Warrants	503	516	606	618	724
- No. of New Listings - Structured Warrants	644	731	911	1,034	1,105
No. of Rights and Bonus Issue	73	63	72	68	33
No. of New CDS Accounts Opened (Yearly)	153,140	112,572	141,993	146,590	159,333
Total CDS Accounts (million)	2.5	2.5	2.5	2.5	2.5
No. of Trading Days	246	246	243	243	244
No. of Participating Organisations of Bursa Malaysia Securities	30	30	30	30	29
<b>Derivatives Market</b>					
Open Interest as at 31 December	230,376	237,232	294,856	245,143	283,014
• Crude Palm Oil Futures (FCPO)	188,888	198,648	245,123	213,519	228,997
• FBMKLCI Futures (FKLI)	37,750	27,829	23,190	19,779	28,786
• Others	3,738	10,755	26,543	11,845	25,231
No. of Contracts traded					
• FCPO (million)	11.0	11.4	11.9	10.5	10.7
• FKLI (million)	3.0	2.8	2.0	2.5	2.3
• Options on FCPO	2,300	40,120	38,916	66,066	53,100
• Options on FKLI	4,702	10,171	20,285	10,486	13,243
• Other Products (FGLD, FPOL, FKB3, FMG5 and FM70)	45,005	9,037	2,551	681,145	458,628
Average Daily No. of Contracts Traded	57,157	57,829	57,677	56,488	55,372
Total Contracts Traded (million)	14.1	14.2	14.0	13.7	13.5
No. of Trading Days	246	246	243	243	244
No. of Trading Participants of Bursa Malaysia Derivatives	18	18	18	18	17
<b>Islamic Capital Market</b>					
FBM Hijrah Shariah	14,332.58	13,427.77	14,528.19	13,110.33	13,212.58
Shariah Market Capitalisation (RM billion)	1,101	1,050	1,154	1,055	1,116
Shariah Velocity (%)	30	27	32	33	28
Shariah Average Daily Trading Value - OMT (million shares)	1,286	1,142	1,443	1,486	1,237
Shariah Average Daily Trading Value - OMT & DBT (million shares)	1,349	1,253	1,568	1,583	1,397
Shariah-compliant PLCs	667	670	688	689	714
% of Shariah-compliant PLCs	74	74	76	76	77
% of Shariah-compliant (by Market Capitalisation)					
• PLCs	66	64	62	63	67
• ETFs	21	22	24	28	25
• REITs	43	42	41	42	42
No. of ETBS	3	3	4	4	4
No. of Sukuk Programmes on Bursa Malaysia Securities	22	24	25	24	23
Value of Sukuk Programmes (USD billion)	34.6	53.5	56.0	53.5	54.6
Value of Sukuk Listings (USD billion)	21.2	26.9	30.6	33.2	32.8
Bursa Suq Al-Sila':					
• Average Daily Value Commodity Traded (RM billion)	15.2	16.3	19.6	24.3	30.6
• Total Accumulated Commodity Trade Value (RM billion)	3,727.7	3,997.7	4,755.5	5,915.0	7,455.7
• Total No. of Matched Contracts	350,801	218,087	221,582	254,294	300,301
• No. of Trading Days	246	246	243	243	244
• No. of BSAS Registered Participants:					
Total	109	124	140	173	222
- Domestic	88	99	107	131	173
- Foreign	21	25	33	42	49

# MARKET HIGHLIGHTS

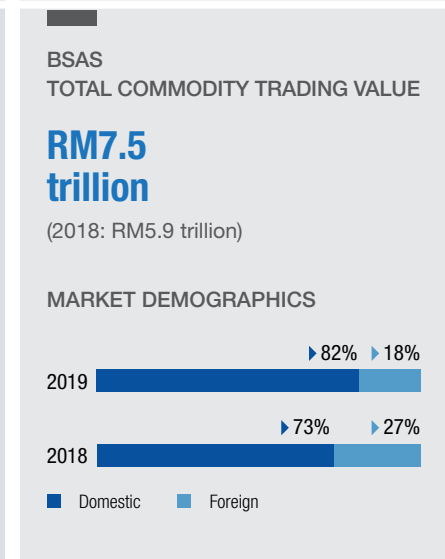
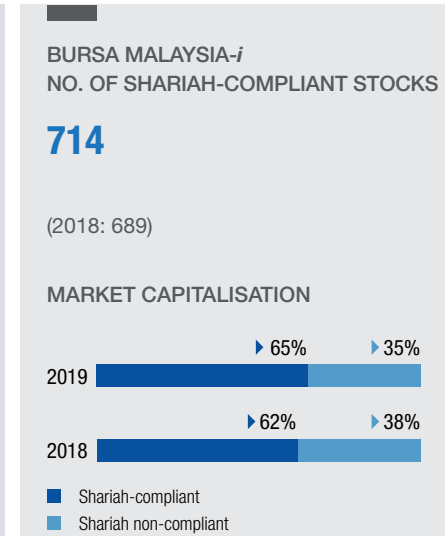
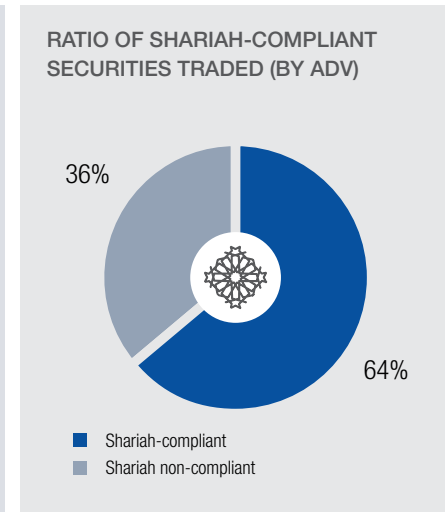
## SECURITIES MARKET



## DERIVATIVES MARKET



## ISLAMIC CAPITAL MARKET



# CORPORATE EVENTS AND NEWS

## CORPORATE EVENTS AND NEWS

### 2019

#### JANUARY

- 5 Held the retail investor event, Marketplace Fair in Penang and officially launched the "Invest Bursa, Invest in You" theme for Retail Invest Year 2019
- 8 Expanded trading features enabling investors to execute variety of trading strategies (Market Order at Pre-Closing, On-Open Order, On-Close Order, Iceberg Order and One-Cancel-Other (OCO) Order features)
- 18 Collaborated with the Ministry of Entrepreneur Development and Cooperatives (MEDAC) to host the "Going Public-Unlocking the Potential of SMEs" seminar in Penang
- 28 Affin Hwang Asset Management listed the first dual currency ETF on Bursa Malaysia

#### FEBRUARY

- 11 Datuk Muhamad Umar Swift took office as Chief Executive Officer and Non-Independent Executive Director of Bursa Malaysia Berhad
- 17 Bursa Malaysia and MEDAC hosted the "Going Public-Unlocking the Potential of SMEs" seminar in Terengganu

#### MARCH

- 1 Datuk Shireen Ann Zaharah Muhiudeen took office as Non-Executive Chairman, Public Interest Director and Independent Non-Executive Director of Bursa Malaysia
- 5 Hosted the 30<sup>th</sup> Annual Palm and Lauric Oils Price Outlook Conference & Exhibition 2019, which was themed "Manage Uncertainties, Harvest Global Opportunities", and attracted 1,800 participants from more than 60 countries
- 6
- 14 Participated in the 5<sup>th</sup> annual "Ring the Bell for Gender Equality" to celebrate International Women's Day 2019 on 8 March 2019. Bursa Malaysia also pledged the support to the Women's Empowerment Principles (WEPS) during the ceremony
- 19 Organised the 15<sup>th</sup> edition of Invest Malaysia 2019 (IM 2019) with Maybank. Themed "Ambition, Purpose, Clarity", IM 2019 attracted over 2,300 attendees, including 1,163 fund managers
- 20

#### APRIL

- 9 Hosted 6<sup>th</sup> consecutive annual "Bursa Excellence Awards 2018"
- 29 Migrated to T+2 settlement cycle for the Securities Market

#### MAY

- 2 Joined three local brokers to roll-out the three-month long Inter-Varsity Stock Challenge 2019 for undergraduates at Universiti Tunku Abdul Rahman, Taylor's University and Multimedia University
- 31 Bursa Malaysia was classified as a Shariah-compliant securities by the Shariah Advisory Council of the Securities Commission Malaysia

#### JUNE

- 6 Announced the results of the FTSE Bursa Malaysia KLCI June semi-annual review which took effect on 24 June 2019:
  - No changes to the constituents of the FTSE Bursa Malaysia KLCI
  - Four constituent changes to the FTSE Bursa Malaysia Mid 70 Index
  - Two constituent changes to the FTSE Bursa Malaysia Hijrah Shariah Index
- 11 Launched the Bursa Anywhere app, the first mobile CDS electronic platform in ASEAN
- 14 Announced results of the FTSE4Good Bursa Malaysia Index June 2019 semi-annual review, which saw 16 new inclusions and one removal from the FTSE4Good Bursa Malaysia Index
- 18 Bursa Malaysia and the Securities Commission Malaysia issued a joint-statement re-affirming their commitment to continue supporting a facilitative and market-friendly ecosystem to ensure the continued growth of the Malaysian capital market

#### JULY

- 11 Hosted the Sectorial Seminar @ Bursa titled "The Evolution of ESG Investing" featuring Minister of Energy Science, Technology, Environment & Climate Change as Keynote Speaker

#### AUGUST

- 15 Revamped and liberalised the Derivatives Market rules and directives to enhance business efficiency for trading and clearing participants
- 24 Bursa Malaysia and the National Council of Women's Organisations Malaysia held the "Wanita dan Pelaburan" investment seminar for women

#### SEPTEMBER

- 18 Extended the agreement with CME for the hosting of derivative products on CME Globex and announced plan to acquire the remaining 25% equity interest in Bursa Malaysia Derivatives Berhad (BMD) held by CME Group Strategic Investments LLC (CMEGSI)

#### OCTOBER

- 2 Held the "Ring The Bell for Financial Literacy" ceremony in conjunction with the World Investor Week, in support of the call-to-action by the World Federation of Exchanges (WFE). The ceremony also kicked-off the "National Investment Debate Challenge 2019"
- 9 Won "Best Stock Exchange for Islamic Listings" at the 14<sup>th</sup> Annual Islamic Finance News Awards 2019
- 11 The Malaysian Government announced in the Federal Budget 2020 a tax deduction of up to RM1.5 million on eligible listing expenses for Small and Medium Enterprises (SMEs) and technology-based companies for the 2020-2022 tax assessment years
- 18 Bursa Malaysia and MEDAC hosted the "Going Public-Unlocking the Potential of SMEs" seminar in Sabah
- 23
  - Conducted IPO Seminar in Singapore via a collaboration with Singapore Chamber of Commerce and Industry
  - Hosted the Sectorial Seminar @ Bursa Malaysia themed "Health Day", featuring the Secretary General of the Ministry of Health as Keynote Speaker

#### NOVEMBER

- 1 Completed the first securities borrowing and lending Proof-Of-Concept blockchain technology solution designed to increase the efficiency of securities borrowing demand and lending supply

#### NOVEMBER (CONT'D)

- 2
  - Hosted the final of the "National Investment Debate Challenge 2019"
  - Collaborated with the Junior Achievement Malaysia Berhad to roll out the "Young Entrepreneur Programme" for 480 secondary school students from 14 schools
- 5
  - Bursa Malaysia and the Malaysian Anti-Corruption Commission announced an educational collaboration to promote corruption-free Corporate Malaysia
  - Hosted the "Visit Malaysia Year 2020 and Beyond" seminar featuring Malaysia's Chief Secretary of the Ministry of Tourism, Arts and Culture
- 13 Bursa Malaysia and the Malaysian Investment Development Authority jointly hosted the "Listing on Bursa: Unlock Your Business Potential Through Listing" event
- 14 Hosted the 6<sup>th</sup> edition of the Bursa Bull Charge, Bursa Malaysia's flagship capital market charity run, which attracted more than 1,300 participants
- 18 Announced the appointment of Puan Uji Sherina binti Abdullah as an Independent Non-Executive Director of Bursa Malaysia
- 19 Launched "Mirror, Learn & Trade", Malaysia's first virtual education trading platform designed to hone investors' trading skills and promote informed investing
- 21 Announced the organisational restructuring plan, which took effect on 1 January 2020.
- 29 Affin Hwang Asset Management listed the first four Leveraged and Inverse ETFs on Bursa Malaysia

#### DECEMBER

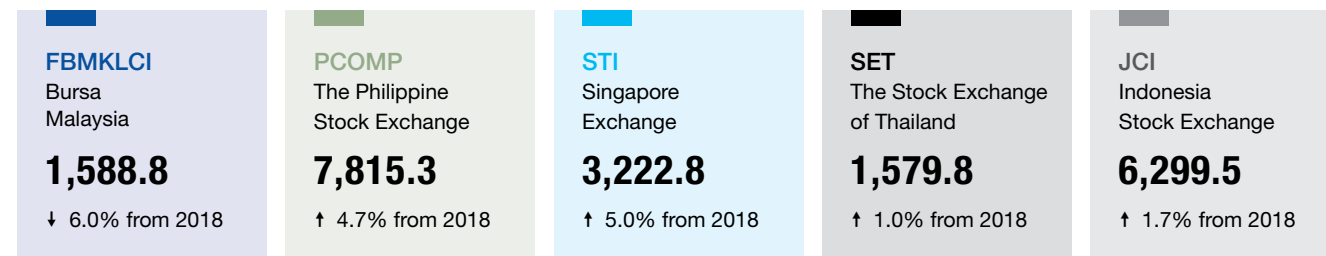
- 5 Announced the FTSE Bursa Malaysia KLCI December semi-annual review outcomes, with the results taking effect on 23 December 2019:
  - No changes to the constituents of the FTSE Bursa Malaysia KLCI
  - Three constituent changes to the FTSE Bursa Malaysia Mid 70 Index
  - Three constituent changes to the FTSE Bursa Malaysia Hijrah Shariah Index
- 6 Completed the acquisition of the remaining 25% equity interest in BMD from CMEGSI
- 18 Announced amendments to the Main and ACE Market Listing Requirements to strengthen anti-corruption measures. The changes will take effect from 1 June 2020
- 19 Announced the appointment of Professor Joseph Cherian as an Independent Non-Executive Director of Bursa Malaysia

# PEER COMPARISON

ASEAN Exchanges' Five-Year Index Growth from 2015-2019



Benchmark Index Performance (as at 31 December 2019)



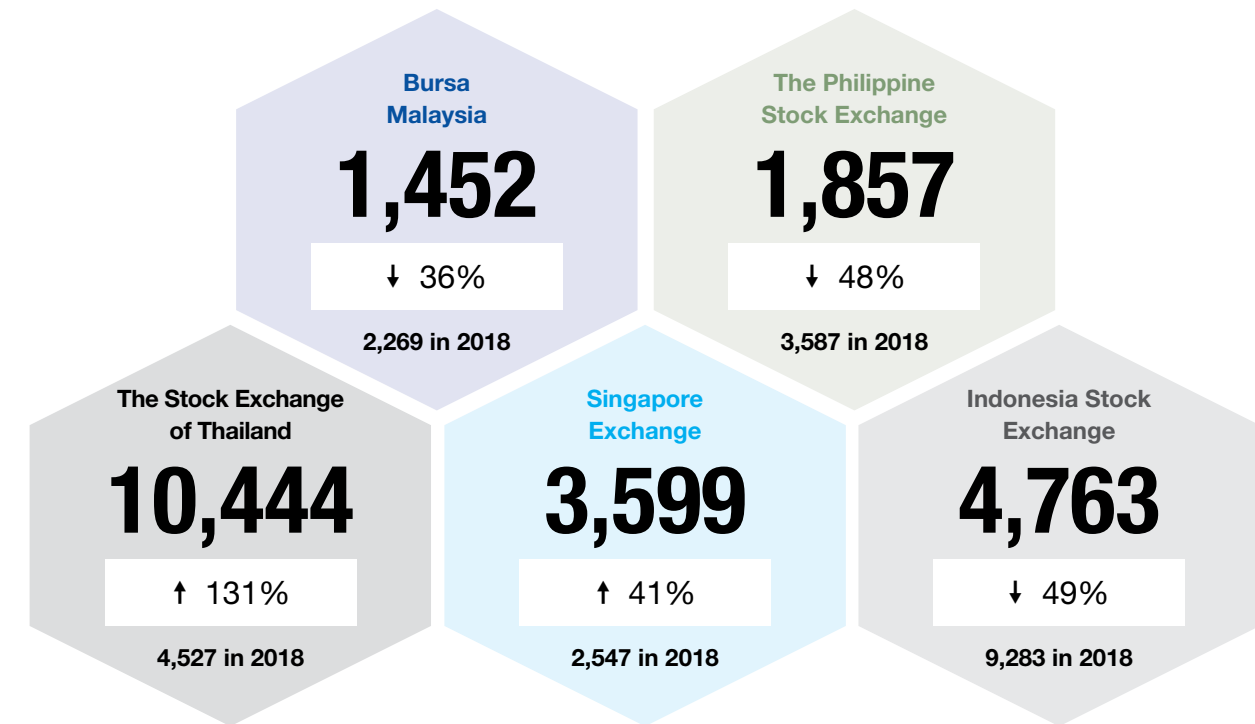
Index Dividend Yield (%)



Source: Bloomberg

# PEER COMPARISON

Total Funds Raised From Primary and Secondary Markets (in USD million)



Source: World Federation of Exchanges

New Listings in 2019

Legend: ● Main Market ● ACE Market ● LEAP Market

DPI HOLDINGS BERHAD (0205)	●	KIM HIN JOO (MALAYSIA) BERHAD (0210)	●
GAGASAN NADI CERGAS BERHAD (0206)	●	UWC BERHAD (5292)	●
UNI WALL APS HOLDINGS BERHAD (03017)	●	I-STONE GROUP BERHAD (0209)	●
SUPREME CONSOLIDATED RESOURCES BERHAD (03018)	●	BABA ECO GROUP BERHAD (03012)	●
EQUITIESTRACKER HOLDINGS BERHAD (03021)	●	TASHIN HOLDINGS BERHAD (0211)	●
SMILE-LINK HEALTHCARE GLOBAL BERHAD (03023)	●	ENEST GROUP BERHAD (03025)	●
TT VISION HOLDINGS BERHAD (03020)	●	MMIS BERHAD (03027)	●
LEONG HUP INTERNATIONAL BERHAD (6633)	●	MTAG GROUP BERHAD (0213)	●
FIBROMAT (M) BERHAD (03026)	●	GPP RESOURCES BERHAD (03029)	●
MATRIX PARKING SOLUTION HOLDINGS BERHAD (03019)	●	SDS GROUP BERHAD (0212)	●
HPMT HOLDINGS BERHAD (5291)	●	IDB TECHNOLOGIES BERHAD (03030)	●
GREATECH TECHNOLOGY BERHAD (0208)	●	AME ELITE CONSORTIUM BERHAD (5293)	●
MESTRON HOLDINGS BERHAD (0207)	●	SPRING ART HOLDINGS BERHAD (0216)	●
CE TECHNOLOGY BERHAD (03024)	●	SOLARVEST HOLDINGS BERHAD (0215)	●
MCOM HOLDINGS BERHAD (03022)	●	ASTRAMINA GROUP BERHAD (03032)	●

\* Companies with their respective stock codes are arranged based on the listing date

Source: Bursa Malaysia

# FINANCIAL CALENDAR

## 30 January 2020

Announcement of the audited consolidated results for the 4<sup>th</sup> quarter and financial year ended 31 December 2019

## 31 March 2020

43<sup>rd</sup> Annual General Meeting

## 30 April 2020

Announcement of the consolidated results for the 1<sup>st</sup> quarter ending 31 March 2020

## 28 July 2020

Announcement of the consolidated results for the 2<sup>nd</sup> quarter ending 30 June 2020

## 27 October 2020

Announcement of the consolidated results for the 3<sup>rd</sup> quarter ending 30 September 2020

## January/February 2021

Announcement of the audited consolidated results for the 4<sup>th</sup> quarter and financial year ending 31 December 2020

section

# 02

## Creating Value In A Sustainable Manner

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# 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

# CHAIRMAN'S STATEMENT



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

CHAIRMAN'S STATEMENT

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

CHAIRMAN'S STATEMENT



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.

**CHAIRMAN'S STATEMENT**

**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.



**CHAIRMAN'S STATEMENT**

**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

# CHIEF EXECUTIVE OFFICER'S REVIEW

Dear Shareholders,

2019 was a challenging year for Bursa Malaysia where we saw our market performance impacted by both global and domestic developments. On the back of lingering uncertainties, market activity remained subdued as investors sat on the sidelines. We, nevertheless, remained focused and took the opportunity to re-organise ourselves to enhance the delivery of our prime role as a market operator, front-line regulator and a catalyst for sustainable and long-term capital market growth. We actively engaged our stakeholders and took steps to review, among others, our cost structures, areas for efficiency improvements, collaboration opportunities, ecosystem gaps and technology requirements.

Bursa Malaysia's initiatives in 2019 reflect our efforts to consolidate and lay the building blocks for our next stage of growth. Our goal is to create a more dynamic marketplace, offering greater choices, value, and a seamless experience for all.

As we continue our journey, we are mindful of the need to create a vibrant and attractive marketplace within ASEAN. Our focus remains on our mission to:

Provide easy access to diversified, impactful products and services for global market participants

Be a high-performance organisation with a data-driven culture, fuelled by innovation and technology, and powered by strategic partnerships

Foster sustainable development in the marketplace by promoting responsible growth, while facilitating fundraising, value and wealth creation for all

With this mission in mind, we sharpened our focus on three core areas – to elevate organisational effectiveness, to leverage on technology and innovation as well as to forge strategic partnerships to drive growth.

### Improve organisational effectiveness

In 2019, we embarked on efforts to reshape the organisation to drive greater business agility and accelerate growth. In short, we wanted a flatter, more open organisation that is empowered to respond swiftly to market needs. Firstly, it was necessary to establish an optimal organisational structure – one with the necessary talent and construct to nimbly navigate the evolving industry landscape and customer needs.

Secondly, reshaping the culture was another key priority. We want to promote an agile culture – one that embraces and can quickly adapt to changes, new technologies and disruptive



Datuk Muhamad Umar Swift

Securities Market Capitalisation

**RM1.7 trillion**

Profit After Tax and Minority Interest

**RM185.9 million**

Total Dividend

**20.8 sen per share**

forces. Encouraging fresh mindsets and challenging status quo can pave the way for novel and creative methods to resolve issues and seize opportunities.

Thirdly, a thorough review of our business and operational processes was warranted. We needed to determine areas that could be improved, automated and optimised. The review is also an opportunity to identify areas where we may have underinvested in but have great potential to drive greater growth. There are opportunities to re-engineer processes, partly enabled through investments in technology, to improve our cost structure and elevate the quality of services.

Moving forward, we will take a pragmatic approach justified by strong cost-benefit analysis to ensure optimal usage of our resources, both from human and financial perspectives. We want to deliver on customer needs, whilst remaining focused on profits and expansion of income streams.

### Leveraging on technology and innovation

Technology and innovation can also help deliver the agility needed to respond quickly to emerging patterns and trends, as well as serve as important levers of growth. Beyond process improvement and automation, we have invested and are investing in upgrading and modernising our core systems and digital touchpoints. Based on feedback received from our stakeholders at various forums, we improved our digital touch points by building new interfaces or enhancing existing platforms, to better serve our users.

- In June 2019, we launched our Bursa Anywhere app, the first mobile central depository services electronic platform in ASEAN. This is a prime example of our efforts to create seamless and efficient experiences for our investors. Investors can now view their CDS account balances in a consolidated manner and conduct several CDS transactions electronically, anytime, anywhere. We will continue to enhance this app, for example by enabling electronic CDS account opening later this year.

CHIEF EXECUTIVE OFFICER'S REVIEW

- We revamped the Bursa Malaysia corporate website with a fresh look and to be device responsive. These enhancements aim to improve readability and facilitate access to information while users are on the go.
- In 2019, the BursaMKTPCLC website was also made available in the Malay language, to better serve investors according to their unique preferences.
- We also launched the Mirror, Learn & Trade (MLT) program in 2019. This is a first-of-its-kind virtual education programme in Malaysia, developed in collaboration with some of the country's leading analysts. It aims to provide a platform for both potential and current investors to learn and build their investment knowledge and strategies to invest in the stock market.

We will continue to improve on our various digital touchpoints to allow our investors and stakeholders to conduct transactions and access information more efficiently.

During the year, we have also completed our first securities borrowing and lending Proof-of-Concept (POC) blockchain technology solution designed to improve operational efficiency in the securities lending supply and borrowing demand. The POC, conducted in partnership with a fintech specialist and industry collaborators, brought in new knowledge, insights and practical experience in harnessing blockchain technology and innovation.

Moving forward, we will continue our efforts to strengthen our organisation, business, and market through innovation and technology.

Forging strategic partnerships to drive growth

Cementing our relationship with our regulators, policy makers, our regional peers and ecosystem partners is pivotal to the long-term success of the Exchange and the overall marketplace. To this end, we continued to engage closely with our stakeholders to build on the capital market by identifying issues, resolving inefficiencies, and creating solutions. Ultimately, working together with our regulators and industry players, we aim to promote a facilitative and market-friendly ecosystem.

We have been engaging closely with our issuers to bring to the market more exciting investment products. For example, Malaysia's first leveraged and inverse ETFs were listed on the Main Market of Bursa Malaysia on 29 November 2019. These innovative new products provide investors the opportunity to profit from both bull and bear market trends. This is consistent with our approach to offer investors more products to capitalise on different market environments.

The launch of our Mirror, Learn & Trade (MLT), which was executed in collaboration with some of the country's leading analysts, is a showcase of what a marketplace can offer as a collective effort, to build market participation.

We renewed our partnerships with the Chicago Mercantile Exchange Inc (CME) to host Bursa Malaysia Derivatives Berhad's (BMD) products on CME Globex for five years. In parallel, we acquired the 25% equity interest in BMD previously held by CME. Following the acquisition, BMD became a wholly owned subsidiary of Bursa Malaysia, which will enable us to streamline our operations and expand our offerings in the derivatives business.

We also continued to build on the established relationship with China's Dalian Commodity Exchange (DCE) through the jointly organised China International Oils and Oilseeds Conference (CIOOC) which was held in Guangzhou, China on 7 November 2019.

Moving forward, we will continue to broaden our collaborations with industry players as well as with innovators within the fintech industry to fast-track our efforts to deliver enhanced customer experiences whilst achieving cost reductions. These collaborations should enable us to tap into new opportunities across the capital market value chain to better serve industry needs. For example, a partnership approach can augment our capacity to leverage on our rich data assets to garner current and predictive insights to identify opportunities.

CHIEF EXECUTIVE OFFICER'S REVIEW

Bursa Malaysia will also continue to partner with brokers, investment banks and asset managers to bring a broader array of participants and products to our marketplace.

Bursa Malaysia is also in conversation with several exchanges in Asia on matters pertaining to cross border collaboration efforts. Focus will be accorded on initiatives to drive greater cross-border connectivity, international product offerings, and human capital development support.

All our efforts serve to achieve a very simple objective. We want to be customer-centric – be it in offering the right products and services, or improving engagement experiences with Bursa Malaysia. We see these steps as necessary to grow our investor and market participants base and ultimately, our trade revenue, particularly in the retail segment. A strong pool of partners is important to accelerate our progress in adopting cutting edge technology. In this regard, we will actively explore new partnership opportunities and will consider targeted investments in innovation and technology in partnership with our strategic collaborators.

Operational Review

In a year marked by major macroeconomic headwinds that depressed trading, Bursa Malaysia achieved a Profit After Tax and Minority Interest (PATAMI) of RM185.9 million. This marks a 17.0% decline from the RM224.0 million achieved the previous year. This result reflects a decline in Operating Revenue from RM523.3 million in 2018 to RM480.1 million in 2019 and a 2% rise in Operating Expenses to RM246.2 million as we maintained our investment in the company's future growth drivers.

A combination of soft domestic corporate earnings and risk aversion amongst some investors dampened trading activity in the Securities Market. Trading revenue for 2019 fell to RM232.8 million, down by 12.4% from RM265.8 million the previous year. Trading volumes were visibly lower, with the average daily value traded (ADV) for the Securities Market's On-Market Transactions (OMT) falling by 19.3% to RM1.9 billion in 2019, down from RM2.4 billion in 2018. Non-trading revenue declined to RM161.0 million, down by 2.9% from RM165.9 million the year before. However, revenue from the sale of market data continued to grow in 2019, rising by 6.5% to RM38.6 million from RM36.2 million in 2018. Revenue from market data has remained robust and is expected to be a key source of future revenue growth as we continue our efforts in broadening access to our market information to investors.

The Derivatives Market was negatively impacted by lower volatility in the equities market, which led to fewer contracts in the benchmark FKL1 being traded. Trading in crude palm oil futures remained strong despite lower crude palm oil (CPO) prices, which moderated the impact of lower FKL1 trades. Overall, Average Daily Contracts (ADC) in the Derivatives Market declined by 2.0% to 55,372 contracts, down from 56,488 in 2018, with a total of 13.5 million contracts traded in 2019 compared to 13.7 million in the preceding year. This translated to a 5.8% decline in trading revenue to RM72.3 million compared to RM76.7 million in 2018. However, the Exchange registered the highest ADC for FCPO in the fourth quarter of 2019 as volatility in crude palm oil prices increased with the rally in crude palm oil prices.

The Islamic Capital Market saw another year of growth, with both the number of trade participants and trade volumes on the Bursa Suq Al-Sila' (BSAS) commodities platform rising in 2019. The BSAS ADV grew by 25.5% to RM30.6 billion, driven by higher domestic participants. Trading revenue, however, declined by 6.3% to RM14.0 million mainly due to the volume-based pricing scheme. Trading on BSAS is expected to sustain its growth momentum through further system improvements as well as the continuous onboarding of new domestic and foreign participants onto its platforms.

It is worth noting that despite the challenging and volatile environment, Bursa Malaysia saw 30 new listings, the second highest in ASEAN, and raised RM2.02 billion in 2019, compared to 22 listings in 2018 with a total of RM0.66 billion raised. This achievement represents Bursa Malaysia's highest number of IPOs since 2006 and reinforces the continued investor confidence in the Exchange as a key destination to raise and access capital. It is also worth highlighting that in 2019, retail participation grew to 24.5% of total market value traded, the highest level in the last five years.

Moving Forward

Looking ahead, initial expectations for a better 2020 have been revised downwards on the back of uncertainties surrounding the Covid-19 outbreak in early 2020. Major equity markets trended downwards as concerns over contagion risks weighed on sentiments, resulting in some shift in investors' demand.

## CHIEF EXECUTIVE OFFICER'S REVIEW

Recognising the high degree of inter-linkages between the global and local market conditions, which directly impact especially our trading revenue from the securities market, we will be actively exploring ways to diversify our income and create more revenue sources. We believe there is much room for growth in revenue especially in the Derivatives and Islamic Capital Markets, as well as our data business. Our intensified focus in these areas will bear fruits in the coming years. We have made strides in 2019 and in early 2020 in these markets. In January 2020, Bursa Malaysia Derivatives achieved five historical trading-related all-time highs, and introduced the world's first options contract on palm olein. In February 2020, we welcomed two additional Islamic brokers that can offer Islamic stockbroking services on Bursa Malaysia-*i*.

Bursa Malaysia is optimistic that our investments and optimisation efforts will equip our workforce to meet market challenges and seize opportunities. We will continue to execute our plans to improve our productivity and market responsiveness, leverage on technology and innovation, and establish the necessary partnerships to enable us to create a seamless and efficient experience for investors in an attractive marketplace.

### Acknowledgements

On behalf of Bursa Malaysia's Management, I would like to extend our appreciation to our stakeholders and regulators for their support, without which, much of what we have accomplished in 2019 would not have materialised.

I wish to also take this opportunity to express my gratitude to the former CEO, Datuk Seri Tajuddin Atan as well as the former Chief Commercial Officer, Ms Selvarany Rasiah, Chief Operating Officer, Datin Azalina Adham and Chief Regulatory Officer, Ms Yew Yee Tee, for their contributions during their tenure at the Exchange.

Finally, I would like to thank our Chairman and the Board of Directors for their counsel and guidance as well as acknowledge the contributions from the Management team and the entire staff of Bursa Malaysia. It has been a privilege to work alongside a highly committed team. Despite the challenging and unpredictable operating environment, 2019 has been a productive year with several noteworthy achievements and milestones. This performance is indeed reflective of the effort of the team.

2019 was a period of transition at Bursa Malaysia. We are now focused on moving forward with the plans for our next stage of growth. We cannot afford to be complacent. We will be more agile. We will continue to evolve where necessary, to meet market needs or reap opportunities.

I look forward to working with all stakeholders to create a vibrant, facilitative and attractive capital market.



**DATUK MUHAMAD UMAR SWIFT**  
Chief Executive Officer

## OUR STRATEGIC FOCUS

Our strategy is encapsulated into five focus areas which outline specific areas of development to take the Exchange to the next level. We have been implementing initiatives under each focus area over the years to progress towards our goal of becoming a vibrant and attractive marketplace in ASEAN.

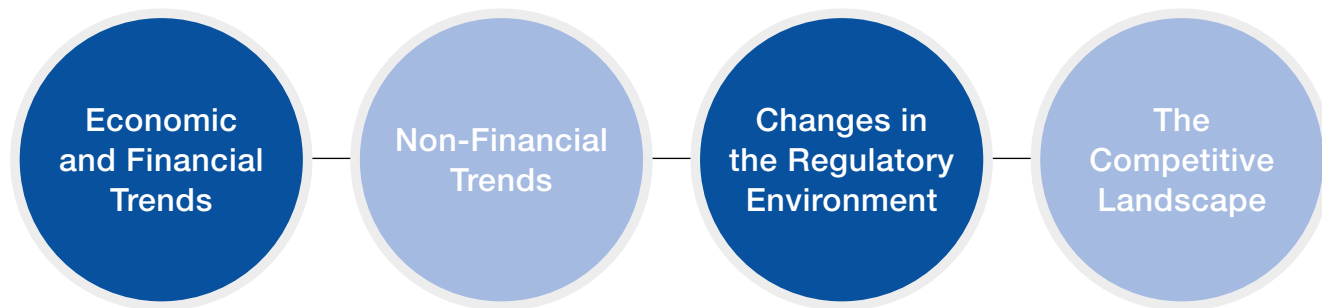


For more information, refer to pages 53 to 75 (MD&A)

# OUR OPERATING CONTEXT

This section explains the key factors that affected our business in 2019, including macro-economic conditions and financial trends, evolving stakeholder expectations, the regulatory environment and the competitive landscape.

For more information, refer to pages 46 to 51 (Key Risks and Opportunities)



## Economic and Financial Trends

We continue to operate in a period of prolonged volatility marked by swings in investor sentiment due to uncertainty in global economic growth prospects. The increasing adoption of fintech, changing demographics and greater global connectivity, have layered new complexities on existing markets.

The main factors driving the sentiment were the twists and turns of trade tensions between key economies which had put increasing stress on international trade relations. Worries over the outcome of the United Kingdom's exit from the European Union and geopolitical tensions in the Middle East also contributed to the overall levels of volatility. Nevertheless, there were indications that the global economy had started to stabilise towards the end of the year.

Collectively, the challenging operating environment was reflected in the 2019 performance of our benchmark FBMKLCI index which ended the year down 6.0% from the previous year's close. The reduction in Malaysia's

weightage in the MSCI Emerging Markets Index to 1.85% in November from 2.43% a year earlier had an impact to the overall foreign portfolio flows, as investors tracked the index shift allocations to other destinations. This, among other factors cited above, contributed to the significant outflow of foreign funds of USD2.7 billion in 2019.

Meanwhile, the Malaysian economy continued to adapt to the new global economic reality as well as to changes in the domestic policies which had led to the review of a number of large infrastructure projects. Although the resumption of a few mega infrastructure projects boosted sentiments, market participants continued to take their cue from uncertainties in international developments as they affected local trade flows. Bank Negara Malaysia announced that Malaysia's annual gross domestic product growth had moderated to 4.3% in 2019. Going forward, market performance is expected to be affected by Covid-19 outbreak, particularly in the first quarter of 2020.

# OUR OPERATING CONTEXT



## Non-Financial Trends

As Malaysia's stock exchange operator and regulator, Bursa Malaysia operates in a dynamic environment where changes in non-financial trends may have an impact on our initiatives to create value. Non-financial trends such as changes in consumer behaviour and technological shifts may affect investment strategies and investor behaviour. While some of these trends such as demographic changes may not vary significantly from year to year, they nevertheless play an important role in shaping our long-term strategic planning.

One major trend that has shaped the global investment landscape is the growing emphasis that investors are placing on sustainable business practices. There has been a corresponding change in shareholder expectations over the last decade, and this in turn encouraged organisations to embrace more sustainable business practices and improve their corporate governance. In response to these changes

in stakeholder expectations, Bursa Malaysia is correspondingly changing the way we function as a market operator, regulator and a listed company.

Our sustainability strategies and practices are guided by global best practices set by organisations such as the Task Force on Climate-related Financial Disclosures (TCFD) and the World Federation of Exchanges (WFE). We strive to embrace these best practices, where practicable, to strengthen our sustainability practices and disclosures while cultivating greater sustainable practices within the wider capital market.

These initiatives have raised our market's profile among investors with socially responsible investing mandates. In the long-term, the emphasis on sustainability will ensure greater growth and value being created for our stakeholders.



## Changes in the Regulatory Environment

Bursa Malaysia operates a highly-regulated business where changes to the regulatory landscape may have a significant impact on its performance. We conduct regular engagements with our regulator, the Securities Commission Malaysia (SC), to ensure that changes in the regulatory landscape are supportive of capital market growth and contribute towards our joint efforts of maintaining a fair and orderly market.

Our aim is to adopt a facilitative and dynamic regulatory approach proportionate to the maturity of the market and the level of market discipline achieved. Adopting this more liberalised stance will make the Malaysian capital market more competitive in the region whilst ensuring continued investor protection.

Bursa Malaysia is also the frontline regulator of our capital market and is responsible for issuing rules to safeguard the interest of market participants and preserve the integrity of our market. We work together with the SC and other regulators to create a stable, trusted, facilitative and reliable environment with the focus to increase investor confidence and the attractiveness of our market. Several regulatory changes were made over the course of the year, including:

- i. issuance of the "CG Monitor 2019" by the SC on 6 May 2019 to encourage the adoption of CG best practices; and
- ii. amendments to the "Guidelines on Recognized Markets" to introduce new requirements for electronic platforms that facilitate the trading of digital assets.

OUR OPERATING CONTEXT



The Competitive Landscape

Bursa Malaysia operates in an increasingly competitive landscape where new business and technological trends are emerging, which may potentially disrupt the traditional capital market model. The rise of fintech as well as the emergence of a more facilitative regulatory environment have not only introduced greater competition in the form of new players and products, but also increasingly diminished trading borders. Investors can now freely participate in any market of their choice around the world. As a result, we now face competition from peer exchanges as well as non-traditional competitors, such as online trading, alternative capital-raising, and new investment platforms.

This trend of integrating technology with finance is not expected to reverse course. As such, we have stepped up to meet the challenges and are building our capabilities. One such change is our transformation into a more agile organisation that is led by relevant and proficient talent,

and further strengthening strategic partnerships with innovators in the fintech industry. We are also exploring new avenues that will expand our market reach, such as via collaborations with peer exchanges, and strategies to increase domestic liquidity. These efforts to grow our market are discussed in greater detail in the sections dedicated to the individual segments of our business.

What is apparent is that these new developments also represent new opportunities for us, and our position as an established exchange offers unique propositions. We have created a trusted, stable, fair and orderly, and secured environment—that start-ups may not necessarily offer. By leveraging on these competitive advantages, we can offer not only the speed and convenience of fintech, but also the security and stability of a traditional exchange. We therefore remain confident in our ability to retain our role as a relevant creator of value for our participants.

OUR STAKEHOLDERS

Bursa Malaysia is committed to being accountable and responsive to our stakeholders' expectations and interests. We place a significant emphasis on consistent and transparent stakeholder engagement. Such engagements are crucial to help us identify and prioritise our material sustainability matters, develop our business plans and approach to reporting and improve our performance.

We prioritise our engagements with stakeholders that impact or are impacted by our operations. A comprehensive description of our stakeholder groups, engagements as well as conversations covered are detailed in our standalone Sustainability Report (SR2019).

Stakeholder Groups



📖 For more information, refer to Chapter 12 in our SR2019

# OUR MATERIAL MATTERS AND APPROACH TO SUSTAINABILITY

Bursa Malaysia recognises that it plays a pivotal role in the Malaysian economy. We are committed to supporting inclusive economic growth and sustainable development that create lasting value for market participants – both now and for generations to come.

Sustainability has been a strategic focus for Bursa Malaysia, which supports our vision to be ASEAN's leading, responsible and globally connected marketplace.

We have identified five priority areas that are critical to our corporate vision and our role as a stock exchange (Priority Areas). These Priority Areas help us to integrate sustainability, formulate strategies, and in turn, take action.

Within each Priority Area, we manage and report on specific material matters i.e. our Material Matters as listed and defined below.

## Our Priority Areas and Material Matters

### ENHANCING COMPETITIVENESS

**Material Matters:**

- Market Competitiveness
- Economic Performance
- Global Economic Performance and Outlook

**Why this is Material:**

To contribute to the sustainable development in the Malaysian economy, we recognise our fundamental role as a frontline regulator and market operator to grow businesses in the capital market and facilitate capital formation. We also monitor and respond actively to changes in the global economic landscape to maintain our competitiveness.

### ENSURING MARKET INTEGRITY AND STABILITY

**Material Matters:**

- Market Integrity and Stability (including Investor Confidence)
- Education and Advocacy
- Customer Privacy
- Collaboration and Engagement

**Why this is Material:**

Market integrity and stability are key to ensuring the well-functioning and sustainability of our capital market. This includes a focus on issues such as customer privacy, vital to gaining the trust of investors. We also see the importance of leveraging on our unique position to educate, advocate and engage with a wide range of stakeholders on economic, as well as environmental, social and governance issues, in order to work collectively towards a sustainable future.

### FOSTERING A RESPONSIBLE MARKETPLACE

**Material Matters:**

- Responsible Investment, Products and Services
- Environmental, Social and Governance (ESG) Reporting
- Anti-Fraud, Bribery and Corruption\*
- Climate Change (Mitigation and Adaptation)\*

**Why this is Material:**

We recognise the importance of fostering a responsible marketplace, especially in the areas of anti-fraud, bribery and corruption, as well as climate change – which represent some of the priority issues in our national and international context. We also see the promotion of stronger ESG reporting and responsible investment as key levers towards creating this change in the capital market.

\* Indicates that the Material Matter is covered under more than one Priority Area

# OUR MATERIAL MATTERS AND APPROACH TO SUSTAINABILITY



### LEVERAGING ON TECHNOLOGY AND INNOVATION

**Material Matters:**

- Innovation and Technology Excellence
- Cyber Security

**Why this is Material:**

To achieve our ambitions of becoming a regional exchange with global reach, it is imperative for us to embrace digitalisation and leverage on the opportunities presented by technology and innovation. Meanwhile, in order to mitigate the risks associated with digitalisation, we also focus our efforts on combating cyber threats to protect our stakeholders and ensure the smooth operation of the markets.



### BUILDING A HIGH-PERFORMANCE ORGANISATION

**Material Matters:**

- Employee Diversity, Inclusiveness and Equal Opportunity
- Workforce Learning and Development
- Occupational Health, Safety and Well-being
- Responsible Resource Management
- Anti-Fraud, Bribery and Corruption\*
- Climate Change (Mitigation and Adaptation)\*

**Why this is Material:**

To ensure our long-term success, we believe in the importance of building a high-performance organisation with the ability to navigate today's increasingly dynamic environment. To achieve this goal, it is important for us to embed sustainability as a way of life at Bursa Malaysia, focusing on creating a work environment that is diverse and safe, while providing equal and ample opportunities for growth. In addition, we aim to utilise natural resources efficiently to meet current needs without compromising on future needs.

## Assessment of Material Matters

Materiality is a key principle that helps us to prioritise the matters that are of most importance to Bursa Malaysia, based on our significant economic, environmental and social impact and which substantively influence the assessments and decisions of our key stakeholders (Material Matters). Our Material Matters are also determined based on how they impact or are impacted by our value creation activities. Under the <IR> Framework, value creation is described in the context of the six forms of capital, which are listed on page 8 of this report.

For more information on each Material Matter, refer to our SR2019

## Materiality Review in 2019

In 2019, we built on our existing understanding of our Material Matters by undertaking a materiality review that consisted of an online survey with our internal and external stakeholders.

Taking on board the inputs from the survey, a total of 17 Material Matters were approved by the Board of Directors (Board). These matters are presented above, having been categorised into five Priority Areas.

\* Indicates that the Material Matter is covered under more than one Priority Area

As we update our Material Matters, we will also continue to improve our management approach to ensure that we are addressing them in a holistic and integrated manner. To ensure that our understanding of what is material remains relevant to our stakeholders, we place a significant emphasis on consistent and transparent stakeholder engagements. Such engagements are also crucial to develop our business plans, improve our performance, and guide our approach to reporting.

## Sustainability Governance

Our Board is ultimately accountable for ensuring that sustainability is taken into account when setting the strategic direction of Bursa Malaysia, and it is also embedded into our day-to-day operations.

The Corporate Sustainability Committee (CSC) is set up to oversee the formulation, implementation and effective management of Bursa Malaysia's sustainability strategies. The CSC is chaired by the CEO and made up of members from key senior management positions across the business.

The CSC delegates the development and implementation of sustainability strategies across our business to the Sustainability Department and also other divisions/departments as may be relevant. The Sustainability Department is headed by the Director of Sustainability, who reports directly to the CEO.

OUR MATERIAL MATTERS AND APPROACH TO SUSTAINABILITY

Our Approach to Managing our Material Matters

Our approach is guided by our Business Plans and Sustainability Roadmap 2019-2020 which details specific sustainability-related initiatives and incorporates the establishment of task forces to drive progress and performance.

The main performance indicators and actions taken during the year to manage our Material Matters are highlighted below.

ENHANCING COMPETITIVENESS

Our Management Approach

In a challenging and changing economic landscape, building our market competitiveness is crucial to achieving this aspiration. As a key player in the Malaysian economy, we facilitate capital formation and wealth creation in the marketplace. Our revenue is also distributed to the wider economy in the form of wages, taxes, shareholder dividends, interests and community investment. Thus, strong economic performance allows us to maintain our social licence to operate and contribute to Malaysia's sustainable development.

We enhance our competitiveness by investing our efforts in the following areas:

INCREASING SECURITIES AND OTHER PRODUCT OFFERINGS	DEVELOPING AND GROWING A DIVERSE INVESTOR BASE	IMPROVING AND PROVIDING AN ENABLING ECOSYSTEM	REGIONAL EXPANSION
Creation of a marketplace with a diversity of products for investors to choose from, regardless of their risk appetite, time horizon and investment strategies	Development of diverse investor base, namely a good mix between institutional, retail, domestic and foreign investors that effectively contribute towards greater market participation and vibrancy	Development of an ecosystem that facilitates the offering of new products and entry of new investor segments that are able to execute various investment strategies in an efficient and orderly manner	Establishment of easy access into our marketplace as well as positioning it as a preferred investment destination for the region

KEY MILESTONES IN 2019

- Migrated to **T+2 settlement cycle** for the Securities Market
- Facilitated the **listing of new types of ETFs** on the Securities Market, namely the first dual-currency ETF and the first leveraged and inverse ETFs

KEY ACTIONS TAKEN IN 2019

- Promoted **growth of investment in mid and small-cap PLCs** through engagements and expanding the Mid and Small Cap Research Scheme (Bursa MidS) to cover more research reports
- Conducted marketing and engagement activities with potential issuers to promote **listing on Bursa Malaysia**
- Engaged with **diverse groups of investors**, including institutional, retail, local and foreign investors
- Conducted **investor education** programmes for a wide audience, including youth (future investors), new investors and market savvy investors

OUR MATERIAL MATTERS AND APPROACH TO SUSTAINABILITY

KEY ACTIONS TAKEN IN 2019

- Enhanced **BursaMKTPLC**, our digital portal for investors
- Promoted **Islamic Capital Market** and Shariah-compliant products and services
- Promoted **Bursa Malaysia-i**, the world's first end-to-end Shariah-compliant trading and investing platform, as well as **Bursa Suq Al-Sila' (BSAS)**, our commodity Murabahah trading platform
- Enhanced the Rules** of Bursa Malaysia Derivatives Berhad (BMD) and Bursa Malaysia Derivatives Clearing Berhad (BMDC) for Trading Participants and Clearing Participants
- Embarked on the enhancement of two derivative products**, namely RBD Palm Olein Option (OPOL) and Single Stock Futures (SSF)

OUR PERFORMANCE IN 2019

- 36.4%** increase in number of new listings<sup>1</sup>, highest since 2006
- Total retail participation stood at **24.5%**<sup>2</sup>, a record high in 5 years
- 71.0%** of FTSE4Good Bursa Malaysia Index constituents are Shariah-compliant
- 88,465** members of the public were engaged and educated
- 563,758** new registered users on BursaMKTPLC
- RM1.9 billion** total average daily value (ADV) On-Market Transactions (OMT)
- 25.5%** increase in BSAS ADV, from 2018
- 76.9%** of our PLCs are Shariah-compliant

<sup>1</sup> Number of new listings covers IPOs on the Main, ACE and LEAP Markets, as well as listing via introduction only  
<sup>2</sup> Based on total market value traded

ENSURING MARKET INTEGRITY AND STABILITY

Our Management Approach

Integrity and stability are fundamental to instil trust in the capital market. Trust fosters investor confidence, encourages capital raising and promotes innovation, which are important for the growth and development of the Malaysian economy. As a regulator, we maintain a regulatory framework that strikes the right balance between promoting growth in the marketplace, while ensuring market integrity, transparency and high standards of conduct and governance. As a market operator, we ensure that the marketplace is secure and facilitative of trading and meets the fundraising needs of our PLCs.

Our integrated approach covered the following focus areas:

A BALANCED REGULATORY FRAMEWORK	STANDARDS OF BUSINESS CONDUCT AMONG INTERMEDIARIES	TRANSPARENCY AND QUALITY OF PLCs
Improving the regulatory framework based on "no more rules than necessary". Being open and transparent, proactive and outcome-based to be on par with the developed markets, while ensuring that the rule framework remains relevant and effective	Elevating the standards of business conduct and self-regulation among intermediaries, and facilitating the ease of doing business	Improving the quality of PLCs' corporate governance, sustainability and disclosures, as well as enhancing the efficiency and effectiveness of capital raising and restructuring by PLCs

OUR MATERIAL MATTERS AND APPROACH TO SUSTAINABILITY

ORDERLY TRADING AS WELL AS RESILIENT AND RELIABLE MARKET INFRASTRUCTURE	EFFECTIVE ENFORCEMENT	MARKET EDUCATION	TECHNOLOGY AND INNOVATION
Providing a continuous and reliable service, addressing market orderliness and facilitating front office supervision by Participating Organisations (POs) and Trading Participants (TPs)	Enhancing effectiveness of regulatory actions against breaches (including enforcement actions) to improve conduct and investor confidence	Providing education to promote greater market awareness and understanding, as well as improving practices and building a culture of self-regulation	Embracing digitalisation to increase the efficiency and effectiveness of regulation as well as our operations

**KEY ACTIONS TAKEN IN 2019**

- Introduced key **changes to our regulatory framework** to safeguard investor interest and ensure regulatory environment remains conducive and competitive for fundraising and listing
- Organised **training sessions**, and conducted **supervision and monitoring of compliance with the rules**, to maintain high standards of business conduct and self-regulation among intermediaries
- Implemented various strategic measures to **elevate disclosure standards in the market**
- Conducted **corporate surveillance** to ensure compliance with the LR and **market surveillance** to detect undesirable trading activities, which included a thematic review of POs' front office monitoring and surveillance of electronic trading

**OUR PERFORMANCE IN 2019**

- 99.16%** of financial reports submitted on time by PLCs
- Zero** supervisory breaches among intermediaries

FOSTERING A RESPONSIBLE MARKETPLACE

Our Management Approach

Riding on our unique position as an Exchange, we strive to build a strong culture of good corporate governance and sustainability in the Malaysian capital market. In order to do this, we regularly strengthen our regulatory framework, monitor performance of PLCs, and invest in advocacy efforts to elevate the quality of disclosures and practices by PLCs. At the same time, we encourage institutional investors to incorporate ESG considerations in their investment decisions.

OUR MATERIAL MATTERS AND APPROACH TO SUSTAINABILITY

To achieve our goals, we have adopted a holistic and multi-pronged approach based on the following:

STRENGTHENING OUR REGULATORY FRAMEWORK	MONITORING AND SUPERVISION	EDUCATION, ADVOCACY AND ENGAGEMENT	RESPONSIBLE INVESTMENT, PRODUCTS AND SERVICES
Revising our regulatory framework (particularly the Main Market and ACE Market Listing Requirements), to support the adoption of good corporate governance and sustainability practices	Conducting annual reviews of corporate governance and sustainability practices and disclosures by PLCs to assess compliance and quality of the disclosures made, as well as identifying areas for improvement	Conducting capacity-building programmes and engagements to strengthen culture of corporate governance and sustainability of PLCs	Facilitating investors to make responsible investments by offering sustainable products and services

**KEY MILESTONE IN 2019**

- Enhanced our Main Market and ACE Market Listing Requirements to introduce **anti-corruption and whistle-blowing measures** for PLCs

**KEY ACTIONS TAKEN IN 2019**

- Maintained membership in the **Corporate Integrity System Malaysia (CISM) Roundtable**, to instil ethical values and anti-corruption within the business community
- Conducted **advocacy programmes** on corporate governance and sustainability, covering pertinent topics such as the new Corporate Liability Provision (section 17A, MACC Act 2009), recommendations of the Task Force on Climate-related Financial Disclosures, cyber security and sustainability reporting
- Continued to feature fresh content on **BURSASUSTAIN** which resulted in increased page views and visitors
- Member of the **Joint Committee on Climate Change (JC3)**, co-chaired by the Securities Commission Malaysia and Bank Negara Malaysia to promote the transition to a low-carbon economy. In addition, Bursa Malaysia also chairs the sub-committee on Governance and Disclosure
- Continued our participation in the 5<sup>th</sup> annual **"Ring the Bell for Gender Equality"**, a global collaboration involving more than 80 exchanges around the world
- Facilitated Amanah Ikhtiar Malaysia (AIM) to enable them to provide **microfinancing to underbanked communities**, including the rural poor, through BSAS

**OUR PERFORMANCE IN 2019**

- 69** constituents in FTSE4Good Bursa Malaysia Index (up from 56 in 2018), with an average of 2.15 in overall ESG rating (up from 1.94 in 2018)
- 26.4%** female representation on Boards of top 100 PLCs (up from 24.4% in 2018)
- 36.4%** increase in number of new listings on the LEAP Market, ASEAN's first SME-focused financing platform
- 87.9%** increase in number of new cooperatives trading on BSAS
- 3,239** participants attended advocacy programmes for PLCs
- 36,516** members of the public engaged and educated on Shariah investing via Bursa Malaysia-i

## OUR MATERIAL MATTERS AND APPROACH TO SUSTAINABILITY

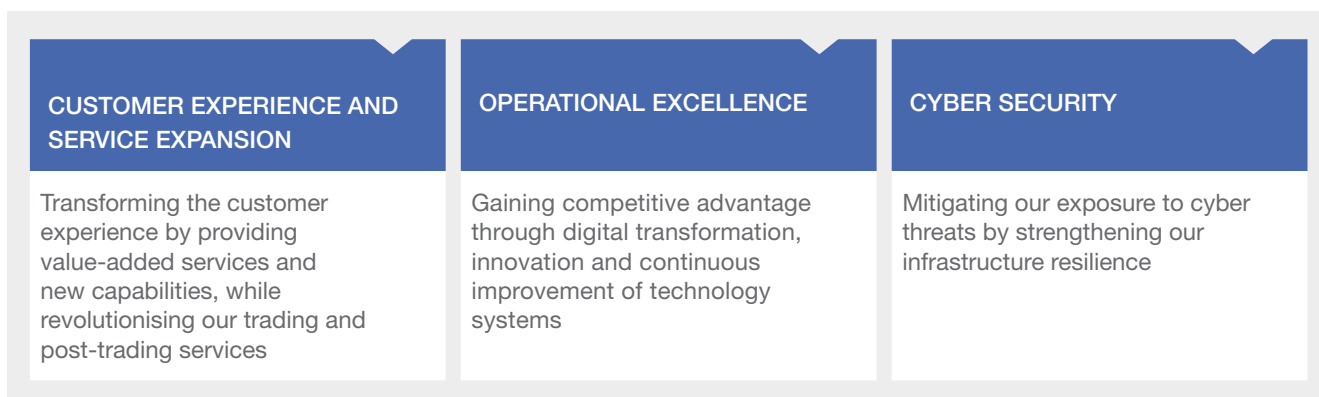
### LEVERAGING ON TECHNOLOGY AND INNOVATION

#### Our Management Approach

To achieve our aspirations of becoming a regional exchange with global reach, it is imperative for us to embrace digitalisation and leverage on the opportunities presented by technology and innovation.

We recognise the need to modernise our services in order to enhance our competitiveness, as customer demands for digital solutions continue to rise. It also helps to ensure the smooth operation of markets while building our internal capacity as a high-performance organisation. Finally, as our dependency on IT systems continue to grow, we are also investing in resources to mitigate risks such as cyber threats.

Our approach to leveraging on technology and innovation is anchored on the following three areas:



**KEY MILESTONES IN 2019**

- Launched **Bursa Anywhere**, a new mobile app for retail investors to access a wide range of central depository services on-demand
- Revamped our **digital touchpoints**, including our website and BursaMKTPLC (our virtual platform for investors)

**KEY ACTIONS TAKEN IN 2019**

- Completed our **first Blockchain Proof-of-Concept** for Securities Borrowing and Lending market
- Included **additional alerts and reports** into the New Market Surveillance System (NMSS) to improve the turnaround time

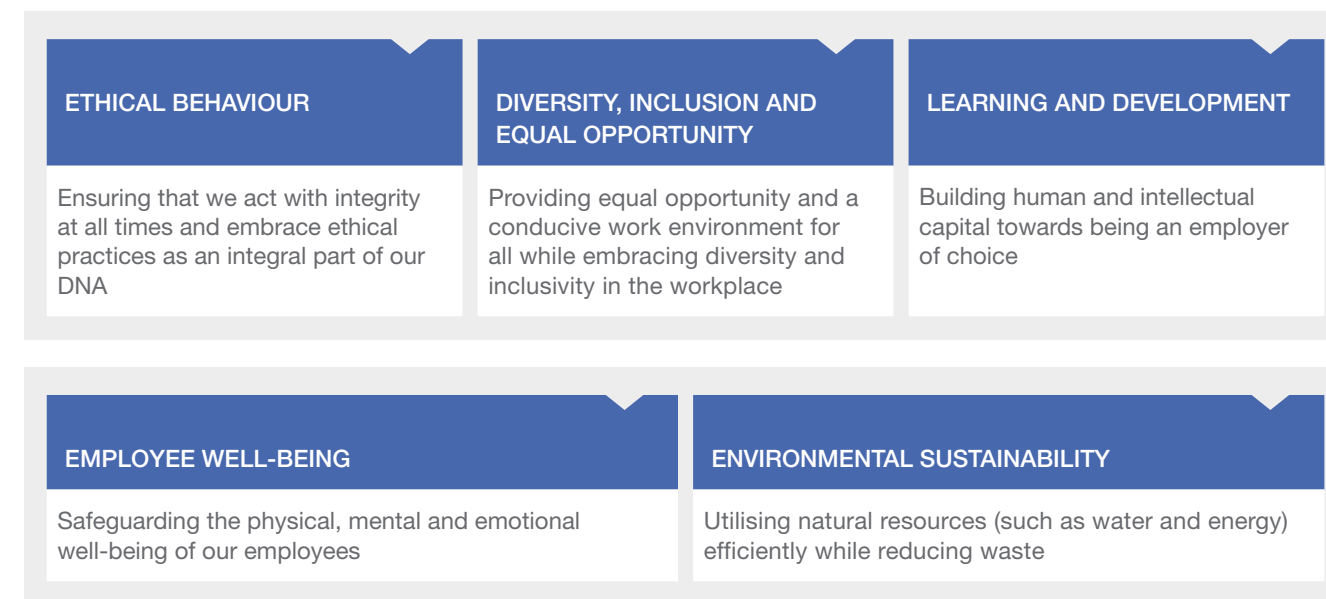
### BUILDING A HIGH-PERFORMANCE ORGANISATION

#### Our Management Approach

In order to secure our long-term success, we believe in the importance of building a high-performance organisation with the ability to efficiently navigate today's increasingly dynamic operating environment. To achieve this goal, we take steps to make sustainability a way of life at Bursa Malaysia. In particular, we embed ethical practices in our DNA, embrace diversity at the workplace, nurture and develop our talent, and integrate environmental practices into our organisation.

## OUR MATERIAL MATTERS AND APPROACH TO SUSTAINABILITY

Our overall approach to building a high-performance organisation is outlined under five main priorities:



**KEY ACTIONS TAKEN IN 2019**

- Announced support for **Women's Empowerment Principles (WEPs)**
- Established **Corporate Integrity Task Force** to spearhead our efforts towards compliance with the new Corporate Liability Provision
- Included reporting of **Scope 1 and Scope 3 GHG Emissions**
- Set up **Climate Action Task Force** to coordinate efforts towards adoption of the Task Force on Climate-related Financial Disclosures (TCFD) Recommendations
- Enhanced Reporting on Gender Metrics**, including gender pay ratio, percentage of employees returning to work after parental leave etc.
- Launch of **GO1**, an e-learning platform for employees

**OUR PERFORMANCE IN 2019**

- 16,656** total training hours
- RM1,044,647** invested in employee learning and development
- Bursa Bull Charge, our flagship fundraising programme, remained **carbon-neutral**
- 89.5%** of our suppliers were local vendors
- 50%** of our Board are women<sup>1</sup>

<sup>1</sup> As at 31 January 2020

For more information on our approach to sustainability, we invite you to view our standalone Sustainability Report 2019, which has been prepared in accordance with the GRI Standards: Core option and is available on our website at [https://www.bursamalaysia.com/about\\_bursa/sustainability/sustainability\\_reports](https://www.bursamalaysia.com/about_bursa/sustainability/sustainability_reports)

# KEY RISKS & OPPORTUNITIES

Bursa Malaysia operates in an interconnected ecosystem where operating conditions can change quickly and without warning to impact our business and operations. To meet the rising challenges posed by external risk factors such as the volatile market conditions and the threat of market disruption posed by financial technology, we continuously strive to enhance our risk management processes to ensure that they remain aligned with the changes in the regulatory landscape and global risk-management best practices.

## HOW WE MANAGE RISK

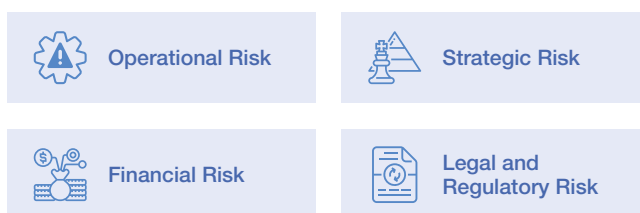
To ensure effective oversight of risks at the enterprise wide level, we have been taking measures to embed risk management in all our key processes and activities. These are guided by the Enterprise Risk Management Principles and Framework that have been put in place to ensure that our risk management approach is comprehensive and robust to mitigate the risks that we face.

Pursuant to existing regulatory requirements and best practices, Bursa Malaysia performs an annual corporate risk assessment to review material risks. The assessment is carried out by the Risk and Compliance Division which reports to the Management Committee and the Risk Management Committee. A corporate risk profile is subsequently developed by the two committees and elevated to the Board of Directors for review and endorsement.

Our corporate risk profile comprises principal or enterprise risks that may:

- a. threaten the Exchange's competitive position;
- b. severely damage the Exchange's reputation; or
- c. have a systemic effect to the industry.

In addition, risks identified in the risk profile are further specified into four categories:



More information regarding our risk management activities and their guiding principles are disclosed in our Statement on Internal Control and Risk Management on pages 102 to 111 of this report

### Material Matters

- Enhancing Competitiveness
- Ensuring Market Integrity and Stability
- Fostering a Responsible Marketplace
- Leveraging on Technology and Innovation
- Building a High-Performance Organisation

### Six Capitals

- Financial Capital
- Human Capital
- Intellectual Capital
- Manufactured Capital
- Social Capital
- Natural Capital

# KEY RISKS & OPPORTUNITIES

## OPERATIONAL RISK

Operational risk is defined as the deficiencies in information systems or internal processes, human errors, management failures or disruptions from external events that could result in the reduction, deterioration or breakdown of services. Each of these risks has the potential to undermine the Exchange's credibility and ability to carry out its value creation activities.

### Related Material Matters

### Related Capitals

For the purposes of our risk management activities, we have identified the following operational risks:

- Cyber Security
- Business Interruption
- Breaches in Physical Security
- Talent Management
- Deficiencies in Policies and Procedures

### Opportunities:

Pursuing operational excellence is one of Bursa Malaysia's strategic goals as we recognise that the strength of our marketplace can only be as strong as the operational inputs that enable it to function. Enhancing our trading capabilities, ensuring business continuity and hiring the right people also add to the overall attractiveness and resilience of our market, which will in turn propel us ahead of our competitors in the region.

These risks are monitored holistically to address the concern that the monitoring of each item independently may fail to reveal emerging operational risk trends; as new trends may not demonstrate a significant impact on individual operational risk items, but instead may have significant systemic impact.

## Cyber Security

The increasing use of technological platforms in our business has increased our cyber security risk profile. Cyber threats such as malware, phishing, data theft and social engineering not only have the potential to disrupt the regular functioning of our systems, but also put private, sensitive information that we collect from our Trading Participants (TPs) into jeopardy. We are aware of the significant damage that cyber attacks could cause to our business and reputation, and have taken strong mitigation measures to minimise our risk exposure.

As we regard cyber security as a sustainability issue, we discuss the matter and mitigation in greater detail in our standalone Sustainability Report (SR2019). Please refer to Chapter 9 of our SR2019 for more information on the way we manage cyber security issues.

## Business Interruption

Business interruption risks refer to events or factors that may disrupt the functioning of Bursa Malaysia's business and operations. Examples of business interruption risk include system disruptions, performance failures by third party service providers, internal sabotage, and internal and external hazards.

To mitigate against the risk of business interruption, we have put in place appropriate systems with adequate capacity, security arrangements, redundancies and resources. Bursa Malaysia also has in place a comprehensive Business Continuity Plan and a Disaster Recovery Plan which is tested annually to outline the necessary steps to be taken in stipulated scenarios.

KEY RISKS & OPPORTUNITIES

**Breaches In Physical Security**

A breach in the security of our physical infrastructure has the potential to not only disrupt our operations, but could also put the safety of our personnel at risk. A major physical attack on our premises could therefore have serious repercussions for our business as well as the wider capital market. Our physical security measures therefore recognise the threats of assault, theft or sabotage, as well as violence resulting from civil unrest and terrorism.

We take all necessary precautions at our key premises to protect against physical threats. Measures in place include security teams, police presence, active surveillance and access-control technology. We also monitor social and political developments to determine if heightened security measures are required, and maintain a secure disaster recovery site that ensures the continuation of critical functions in a worst-case scenario.

**Talent Management**

Bursa Malaysia depends significantly on the retention and performance of key personnel in the organisation. The non-availability or loss of service of key personnel could have a substantial impact on our ability to carry out operations, implement key initiatives or successfully execute our long-term strategy. Additionally, poorly trained personnel also represent talent risks as errors on their part may have ramifications for Bursa Malaysia as a whole.

To mitigate our talent management risk, Bursa Malaysia has established its Talent Council which oversees the appointment of individuals in critical roles within the organisation, and also sets strategy and direction to achieve business objectives. As talent management is a sustainability issue, we discuss the matter and mitigation in greater detail on Chapter 10 of our SR2019.

**Deficiencies In Policies And Procedures**

Deficiencies in our policies and procedures governing our business and operations may result in disruptions to the business as well as our reputation. We therefore need to adopt a rigorous approach in formulating policies and procedures, and take all necessary steps to test, compare and benchmark our policies and procedures to ensure that they are aligned with best practices.

As part of our efforts to mitigate policy and procedural deficiencies, our business units perform quarterly risk assessments on their respective policies and procedures to identify gaps and shortcomings. They are also responsible for developing action plans to address identified gaps. In 2019, Bursa Malaysia introduced or enhanced the following policies and procedures:

- (a) Cyber Security Risk Management Framework
- (b) Risk Management Framework on Outsourcing
- (c) Enterprise Risk Management Principles and Framework

KEY RISKS & OPPORTUNITIES

**FINANCIAL RISK**

Financial Risk encompasses risks arising from internal and external sources that may affect the Exchange's ability to meet its financial obligations and thereby end up in default. This may in turn affect our ability to conduct our day-to-day operations or to achieve the deliverables specified in our strategic plan. Additionally, a financial default may also have significant impact on our brand and reputation, and dissuade investors from participating in our marketplace. In a worst-case scenario, it may also have a systemic impact on the Malaysian capital market and put the entire national economy at risk.

The key financial risk that Bursa Malaysia faces is Central Counterparty (CCP) Risk which stems from our role as a central counterparty in the clearing and settlement of trades and contracts.

**Related Material Matters**



**Related Capitals**



**Opportunities:**

The financial strength of the Exchange is crucial in maintaining investor confidence in our abilities as a market operator and also allows us to unlock further value via strategic investments. Building up financial resilience also means the Exchange will be better prepared to withstand systemic shocks in the financial system.

**Central Counterparty Risk**

We adopt international best-practices such as the Principles for Financial Market Infrastructures (PFMI) issued by the International Organisation of Securities Commission (IOSCO) as guidelines for our risk management to ensure that our CCP risk levels fall within prudential levels. There are five principal areas of financial risk arising from Bursa Malaysia's role as the CCP:

Financial Risk	Mitigation
Credit Risk	Maintaining sufficient financial resources to cover the Exchange's credit exposure to participants, manage credit exposure arising from payment and from the clearing and settlement processes effectively.
Collateral Risk	Accepting only collaterals with low credit, liquidity and market risks, while ensuring appropriate haircuts and limits are imposed accordingly.
Liquidity Risk	Maintaining sufficient liquid resources in all relevant currencies to affect same-day, intra-day and multi-day settlements.
Custody and Investment Risk	Safeguarding our customers' and our own assets, and invest only in instruments with minimal credit, market and liquidity risks.
Business Risk	Retaining financial resilience and status as a going concern at all times.

We have also embedded risk management procedures into our day-to-day operations to ensure that the level of financial risk is properly managed. These measures include:

- Conducting daily mark-to-market of outstanding positions and conducting intraday revaluation of positions and collaterals;
- Imposing adequate initial and variation margin requirements; as well as ensuring prudent cash and collateral management;
- Monitoring Trading Clearing Participants' and Clearing Participants' capital adequacy ratios and adjusted net capital levels;
- Monitoring settlement flows for the Clearing Houses and managing their exposure vis-à-vis other financial institutions;
- Performing daily stress-tests on the adequacy of the Clearing Guarantee Fund to ensure that it is sufficient to protect the Clearing Houses under extreme but plausible market scenarios; and
- Performing daily stress tests on the Clearing Houses to ensure that they have sufficient liquid resources to meet their settlement obligations in a timely manner.

Additionally, Bursa Malaysia conducts annual default drill exercises by simulating default scenarios to test the effectiveness of its Default Management Procedures. This ensures that they remain robust and relevant in the face of uncertain market conditions.

KEY RISKS & OPPORTUNITIES

STRATEGIC RISK

Strategic Risk refers to internal and external developments that affect our business and threaten our ability to achieve the strategic objectives of Bursa Malaysia. While any development may potentially have an impact on strategic aims and intentions, we have identified a list of strategic risk items which include:

- Market Competition and Financial Technology Risk
- High-Impact Projects
- Reputational Risk
- Geopolitical and Macroeconomic Risk

Related Material Matters



Related Capitals



Opportunities:

Achieving our strategic objectives will secure the long-term sustainability of the Exchange, and further enrich the capabilities and resilience of our marketplace. In addition, identified strategic risk such as fintech presents opportunities for integration into Bursa Malaysia's business operations which can create new potential business to entice a new segment of investors to our market.

Market Competition and Financial Technology Risk

The rapidly-evolving competitive landscape has grown more complex, especially with the increased market volatility and the emergence of fintech players who threaten to disrupt the business models of existing players. This in turn has spurred our traditional competitors to accelerate their own strategic offerings, which translates into even greater competition for us. Key risks under this category include:

- The aggressive launch of new products and services by regional exchanges;
- Consolidation amongst exchanges, both through the formation of strategic partnerships or through acquisitions; and
- The emerging market disruptors from fintech services such as cryptocurrency, robo-advisory and algorithmic trading.

Market competition is inherently dynamic and risks arising from our competitors' activities cannot be fully mitigated. We address these risks by closely monitoring new developments and by enhancing our own competitiveness throughout the Exchange, e.g. offer new products, enhance current processes, attract and retain talents, etc. Key competition risks which are deemed to have substantial impact on Bursa Malaysia's strategic goals will be further escalated with mitigation recommendations to the Management and Board.

High-Impact Projects

Bursa Malaysia works on a number of high-impact projects at the enterprise-wide level designed to enhance the Exchange's competitive edge and achieve its strategic growth objectives. The successful completion of these projects is therefore critical to not only securing the long-term sustainability of our organisation, but also to ensure that we can fulfil our commitment of creating a vibrant and attractive marketplace for our Trading Participants (TPs).

To ensure the successful completion of these projects, we conduct risk assessments at every stage of the project life cycle, from the initial business case review right up to post-implementation. The continuous evaluation of high-impact projects helps in the early identification of execution risks and mitigation plans and thereby reducing the likelihood of the projects to fail.

KEY RISKS & OPPORTUNITIES

Reputational Risk

Bursa Malaysia's brand is an integral part of our success that contributes to the overall sustainability of our business as our ability to build a vibrant and attractive market in the region depends on our credibility, both as a company and as a stock exchange operator and regulator. We take all threats to our brand and reputation very seriously, and stringently adhere to all relevant laws and regulations. We also take actions to prevent the misuse of our brand name and intellectual property through legal and contractual means.

Our brand integrity management activities also extend to our engagements with stakeholders, including customers and the media, to gauge potential brand and reputation risks. We also actively build our brand through our education and networking programmes, which see us reach out to both local and international stakeholders.

Geopolitical and Macroeconomic Risk

Geopolitical and macroeconomic risk refer to threats arising from international and local developments in politics and the economy that could impact Bursa Malaysia's competitive position. This risk has become more heightened in recent years as global finance and global trade flows have grown ever more interconnected. As a result, international developments now have a far greater bearing on local economy and capital market, which in turn has a direct impact on local institutions such as Bursa Malaysia.

For example, over the last two years, we have experienced first-hand the impact that trade tensions between two economies can have an indirect, but no less significant, impact on our economy and capital markets. As foreign investors represent an important segment of our TPs, a close watch needs to be kept on international developments even as we continue to bolster our attractiveness as an investment destination and marketplace.

Similarly, local developments can also have an impact on economic prospects, investor sentiment and currency strength. As the market responds to strength or weakness in the economy, these developments also represent risks to our capital market. Geopolitical and macroeconomic developments are largely beyond our control, but we believe that close monitoring together with the measures we have taken to build resilience into our market will provide some buffer and mitigation against these risks.

LEGAL AND REGULATORY RISK

Legal and Regulatory Risk is defined as the losses and uncertainties arising from the failure to comply with contractual or regulatory obligations. Bursa Malaysia, in the regular course of doing business, enters into a significant number of legally binding relationships with various stakeholders including TPs, business partners, etc. Additionally, we operate in a highly-controlled environment that is governed by rules and regulations, which are subject to review and change on a regular basis.

Our legal risks therefore arise from various sources including changes in rule implementation, product liability, as well as liabilities arising from contractual terms. Without proper mitigation, legal liabilities can have a significant financial and reputational impact on the Exchange which, in turn, can affect our ability to perform our roles as a market operator and regulator.

In response to this risk, we have built an effective response and management system which is overseen by our Legal and Regulatory Risk unit. This unit continuously monitors and assesses the potential impact of new or on-going litigation cases, and also periodically reviews our contracts to ensure consistency of terms and conditions. We also ensure that we are always kept up to date on the latest legislative and regulatory changes to reduce the likelihood of regulatory breaches.

Related Material Matters



Related Capitals



Opportunities:


Ensuring full compliance to all legal and regulatory requirements will safeguard the Exchange from liabilities which may disrupt our business and result in significant losses for us. In addition, new business opportunities may arise in tandem with regulatory changes and opens up opportunities to improve our regulations to enhance our competitiveness.

section  
**03**

**Delivering Value to Stakeholders**

Management Discussion and Analysis

- [Financial Review](#) 53
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 [Click on the links](#) to further information within the document.

**MANAGEMENT DISCUSSION AND ANALYSIS**

**FINANCIAL REVIEW**

Bursa Malaysia (the Exchange) posted a Profit After Tax and Minority Interest (PATAMI) of RM185.9 million for the financial year ended 31 December 2019 (FY2019) and dividend payout of 20.8 sen per share.

The 2019 financial performance reflects lower revenue contributions from our markets particularly from the Securities Market. Continuing uncertainty in the global economic landscape marked by trade tensions, geopolitical uncertainty and low commodity prices dominated headlines throughout the year, prompting investors to adopt more conservative strategies. On the domestic front, weaker-than-expected corporate earnings contributed to the outflow of foreign funds and further dampened investor sentiment, causing the FBMKLCI to be down by 6.0% for the year.

For the year under review, operating revenue decreased by 8.2% to RM480.1 million from RM523.3 million in 2018 owing to lower trading revenue contribution from both the Securities and Derivatives Markets. Meanwhile, operating expenses was higher in 2019, rising 2.0% to RM246.2 million from RM241.3 million a year ago due mainly to a one-off impairment allowance on a computer software. Excluding the impairment allowance, operating expenses would have increased less than 1.0% year-on-year. With the inclusion of the impairment allowance, our cost-to-income ratio rose to 49.1% (2018: 44.0%) due to the lower revenue, while our Return on Equity (ROE) decreased to 22.7% (2018: 26.0%).

The Exchange's capital expenditure (capex) for 2019 amounted to RM19.6 million (2018: RM13.5 million) and was funded entirely by internally generated funds. Our capex spending was focused on the delivery of strategic objectives including the development of our Bursa Anywhere mobile app, refreshing our internal IT infrastructure, initiation of the messaging standard systems upgrade to be ISO20022 compliant, and preliminary work on our project to enhance our post-trade systems (Modernisation of Post Trade Infrastructure or MOPTI).

Our 2020 capex will continue to be guided by our planned spending on IT and market infrastructure as well as investments into our operations and connectivity.

There was no significant change to our financial position during the year. There was also no significant event that had material impact on the liquidity of the Exchange.

**Creating Value for our Shareholders**

The Board has approved the payment of a final dividend of 10.4 sen per share for FY2019, bringing our total dividend payment for the year to 20.8 sen per share. The total dividends paid represents 90.5% of Bursa Malaysia's PATAMI for the year under review, and is in line with our policy of paying out no less than 75.0% of PATAMI. We remain committed to the creation of sustainable long-term value for our shareholders through the payment of dividends which takes into consideration other factors including our level of cash and cash equivalents, ROE, retained earnings, projected capex and future investment plans.

**Delivering our Strategy**

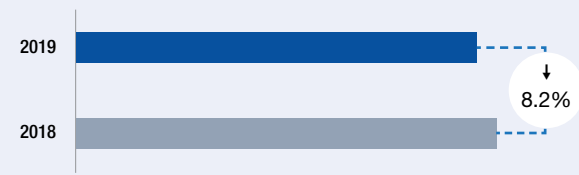
While the Exchange continued to penetrate new international markets, 2019 was also a period of consolidation as we sought to identify new efficiencies in the way we do business. To that end, we embarked on a reorganisation of our management and leadership structure aimed at accelerating growth in critical areas. This new structure came into effect on 1 January 2020. The reorganisation has strengthened governance within the Exchange, creating a flatter, more agile and transparent organisation that is more facilitative of cross-functional collaboration.

Internal reorganisation aside, Bursa Malaysia remained focused on delivering our strategy to take the Exchange to the next level. Despite adverse operating conditions in 2019, we continued working on initiatives outlined in our five focus areas to make our markets more facilitative and attractive to investors and issuers. Each of these initiatives delivered outcomes and is in line with our overall strategy to transform Bursa Malaysia into a vibrant and attractive marketplace.

MANAGEMENT DISCUSSION AND ANALYSIS

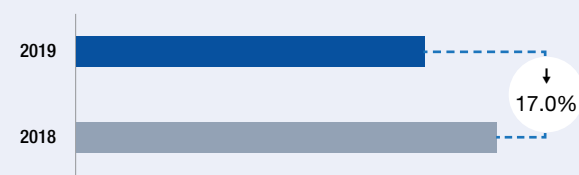
Operating Revenue

2019 **RM480.1 million**  
(2018: RM523.3 million)



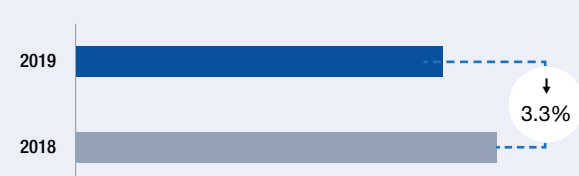
PATAMI

2019 **RM185.9 million**  
(2018: RM224.0 million)



Return On Equity

2019 **22.7%**  
(2018: 26.0%)



The initiatives undertaken in 2019 are grouped under five core areas:

**Strengthening the core:**

Initiatives under this category were aimed at making our markets more attractive, supported by a robust framework. This was done in several ways such as creating a more facilitative market as well as expanding and enriching our product offerings

**Capitalising on technology and information:**

Initiatives under this category were focused on improving our digital touch points to better serve our users, and investing in our core systems and platforms to support the delivery of our value creation activities in a more efficient manner

**Enhancing regional and global connectivity:**

These initiatives were primarily centered on exploring strategic collaborations with peer exchanges and facilitating entry of more market participants into our market

**Fostering a high performance organisation:**

Our efforts were focused on restructuring and delayering the organisation, as well as making process and policy changes to create a more agile, engaged, and productive workforce

**Making sustainability a way of life:**

Initiatives were aimed at raising awareness of, and improving practices on sustainability matters in our own organisation, as well as among our PLCs.

Specific initiatives are discussed in greater detail in the respective business sections of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

SECURITIES MARKET

The performance of the Securities Market moderated in 2019 owing to the uncertain operating environment that affected equities markets around the globe.

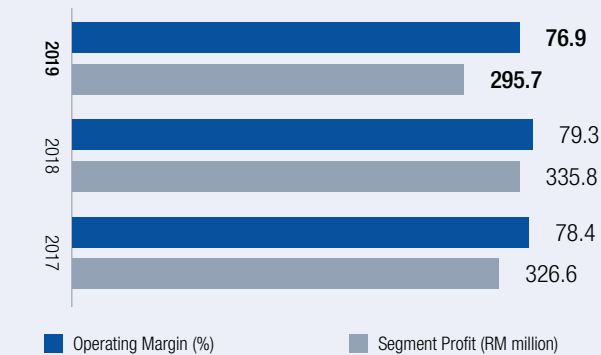
Following a period of strong growth, the market performance in 2019 was challenging. Sentiments fluctuated throughout the year as geopolitical developments took centre stage to dictate trading patterns, while soft domestic corporate earnings further fuelled investors' concern over market conditions. Prospects over the immediate term remains opaque with early developments in 2020 suggesting more challenges ahead.

The Securities Market reported an operating revenue of RM372.2 million as compared against RM409.5 million in 2018. The decrease was mainly due to the decline in trading revenue, which was lower at RM232.8 million from RM265.8 million the previous year, as average daily trading values

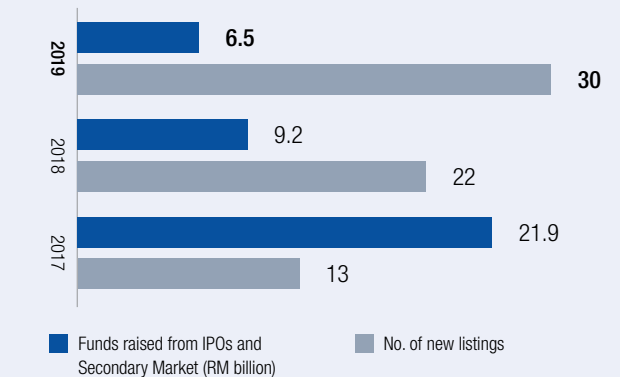
(ADV) for On-Market Transactions (OMT) moderated to RM1.9 billion (2018: RM2.4 billion). As a result, the Securities Market registered a RM295.7 million profit for the year (2018: RM335.8 million).

Non-trading revenue declined by 3.0% to RM139.4 million from RM143.7 million posted a year ago, mainly due to lower listing and issuer services fees. Revenue from the provision of market data however recorded an increase of 8.5% to RM29.9 million from RM27.6 million in 2018. We expect market data to be a key avenue of growth as we further enhance the offering of our market data in tandem with the continuing demand for trading information.

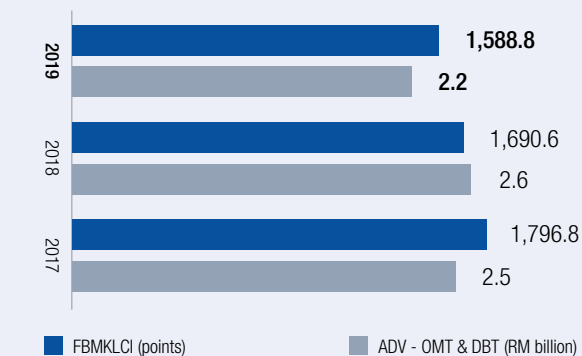
Segment Profit and Operating Margin



Number of New Listings and Funds Raised



ADV - OMT & DBT and FBMKLCI



Segment Revenue

	2018 RM million	2019 RM million	% Change
Trading Revenue	265.8	232.8	↓12.4%
Listing & Issuer Services	60.0	53.9	↓10.2%
Depository Services	42.2	41.9	↓0.6%
Market Data	27.6	29.9	↑8.5%
Member Services and Connectivity	13.9	13.7	↓1.9%
<b>Total</b>	<b>409.5</b>	<b>372.2</b>	<b>↓9.1%</b>

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Environment

The Securities Market started out the year on an uptrend, leading to optimism of a potential rebound after the weak market performance at the end of 2018. Positive developments in the oil and gas segment also uplifted the depressed oil and gas counters, which helped buoy the FBMKLCI to its year-high of 1,730.68 on 21 February 2019. The bullish sentiments were however short-lived, as subsequent data releases including a deflation for the first time since 2009, had raised concerns over our economic growth prospects.

From that point on, the market fluctuated as and when news broke on uncertainties over trade negotiations, economic performance and monetary policy decisions. In addition, the local stock market was impacted by the rebalancing of the MSCI Emerging Markets Index, which reduced Malaysia's weightage by seven basis points, leading to further capital outflows by foreign investors.

The broader Securities Market performed relatively better than the FBMKLCI in the year under review, with total market capitalisation remaining largely unchanged at RM1.7 trillion even as the benchmark index declined by 6%. The FTSE Bursa Malaysia MidS Cap Index and FTSE Bursa Malaysia Small Cap Index recorded a strong increase of 32.0% and 25.4% respectively, whilst the broader FBM Emas Index declined marginally by only 0.6%. This is a strong evidence of the resilience of the overall market.

The significant growth in the mid and small-cap segments of the market were instrumental in driving retail participation and growth, with retail participation closing out the year at a five-year high of 24.5% of total market ADV.

There is also evidence suggesting that our efforts to promote alternative products have taken root. In 2019, we saw greater interest in Exchange Traded Funds (ETFs) and Real Estate Investment Trusts (REITs), with their respective ADVs growing by 67.0% and 57.5% respectively. Similarly, ADV under our Intraday Short Selling (IDSS) programme rose 31.5% and recorded a greater number of active participants following the programme's launch in 2018. Though the contributions from these alternative products to our overall market may not be significant at present, we believe the steady growth recorded and growing interest in the broader market are good indicators of the increasing diversification in our marketplace.

Despite the more adverse operating environment, we remained focused on delivering outcomes in specific priority areas in accordance with our Business Pillars. In doing so, we continued to improve operational efficiency, as well as helped our market become a more vibrant and attractive place to do business. These initiatives are discussed in the following section.

PILLAR 1

Increasing Securities And Other Product-Related Offerings

The aim of this pillar is to increase our product and service offerings and to further diversify our participant base by attracting new segments of investors. It also aims to enhance our existing services to better meet investors' needs and make our Securities Market a destination of choice for fundraising activities.

Initial Public Offerings

Bursa Malaysia recorded 30 new listings in 2019 (excluding ETFs) which raised RM2.0 billion, putting us in second and third place respectively in terms of the number of new listings and amount of funds raised for the year among exchanges in ASEAN. The new listings, up from 22 in 2018, is viewed as a positive indicator for our marketplace as a fund raising platform even as market conditions remained subdued for most part of the year. Particularly noteworthy are the 15 new listings (2018: 11 listings) on our LEAP Market, which was launched in 2017 as part of our efforts to help drive the national economic agenda of accelerating the growth of Small and Medium Enterprises (SMEs) whilst diversifying our issuer base.

MANAGEMENT DISCUSSION AND ANALYSIS

	2018	2019
New Listings	22	30
- Main	2	4
- ACE	9	11
- LEAP	11	15
Funds Raised	RM0.7 billion	RM2.0 billion
Funds Raised Growth year on year (YoY)	↓ 91%	↑ 206%
IPO Market Capitalisation	RM2.5 billion	RM8.0 billion
IPO Market Capitalisation Growth YoY	↓ 88%	↑ 218%

We believe that the improved IPO showing was due to a combination of factors, which include stronger business sentiment that was supported by the time and effort the team had invested in to attract more companies to list on the Exchange. We continued to hold numerous one-on-one engagements with potential issuers to provide guidance on how to prepare for listing and comply with the relevant rules.

Our IPO marketing activities also included organising IPO seminars designed to raise awareness of the benefits of listing, especially among SMEs. These companies are important for preserving the health of our IPO pipeline, in which several companies have already submitted listing applications or are already undergoing the preliminary listing processes. We also expanded our IPO marketing to neighbouring countries in 2019 as part of our aim to build greater regional linkages.

PILLAR 2

Developing And Growing A Diverse Investor Base

Initiatives under this pillar aim to enhance the vibrancy of our Securities Market by increasing the market participation of both retail and institutional investors. We focus our efforts on delivering programmes aimed at enhancing investor education and awareness, and also at emphasising the range of products and trading strategies that our market offers. To this end, we maintain a comprehensive digital and on-the-ground outreach programmes which are detailed below.

Our Institutional Roadmap

Bursa Malaysia's Institutional Roadmap is designed to guide the development and expansion of our institutional investor base both from within and outside our traditional markets. Our focus in 2019 was on institutional investors from Japan, Singapore, Thailand and Malaysia. These tailored engagement sessions focused on specific sectors and themes to give our attendees all the information they need to facilitate their investment decisions.

We held a total of 22 events, under three main initiatives. These were:

- **Invest Malaysia:** Two Invest Malaysia events were held in 2019 for our institutional investors, including the 15<sup>th</sup> edition of our Invest Malaysia Kuala Lumpur which attracted over 2,300 attendees
- **Mini Corporate Days:** Seven Mini Corporate Days were held in Singapore and Bangkok, a collaborative initiative with our brokers
- **Thematic Institutional Seminars:** We held 13 seminars covering 14 different topics and sectors in collaboration with our local brokers, targeted at fund managers and analysts

Our Retail Roadmap

Our Retail Roadmap guides our efforts to grow retail participation in our marketplace through the provision of new products and services, advocacy programmes and collaborations with our brokers and other partners. We also deploy direct-marketing initiatives through on-the-ground and digital initiatives to educate existing and potential retail investors on the merits of equity investments, and make full use of our digital and social media presence to spread our message.

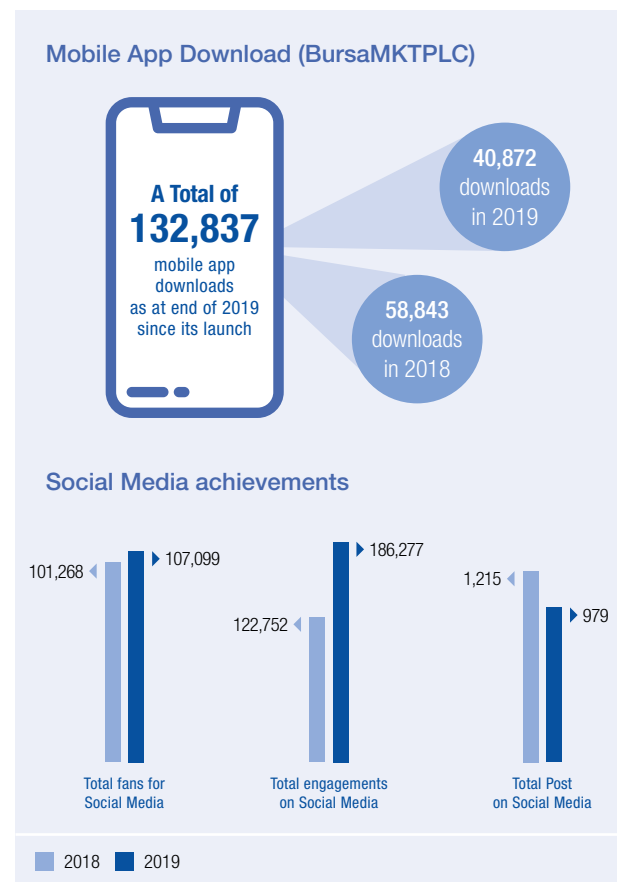
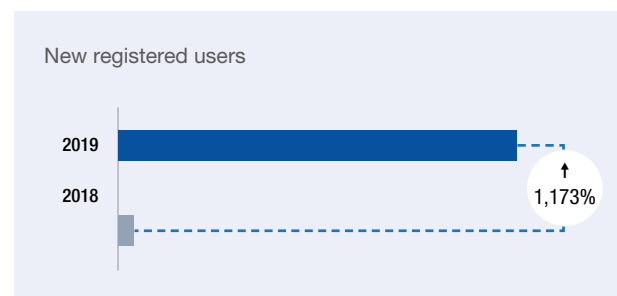
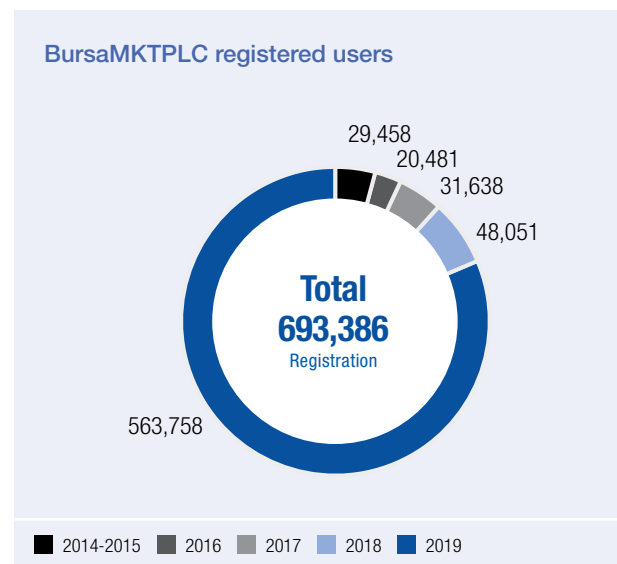
We continued to leverage on technology in 2019 to widen our appeal to the digitally-minded generation. BursaMKTPLC 2.0, an upgrade from our original platform which was launched in 2014, was released with new features including the Mirror, Learn & Trade (MLT) virtual learning programme. MLT is a platform that helps develop better investing habits amongst our retailers by allowing them to mirror or copy the trading patterns of professional traders. By the year end, the BursaMKTPLC 2.0 had registered 693,386 users representing an increase of 1,173% from the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS

To help us make our marketplace more accessible to our retail investors, we launched our Bursa Anywhere mobile app in 2019 which gives individual investors convenient access to a wide range of central depository services. This mobile depository service is the first-of-its-kind in ASEAN and only the second in Asia. As at year end, the app registered 40,380 users and is expected to increase further following the implementation of our promotion and awareness activities.

Aside from our digital outreach strategy, we also continued to run our results-based incentive programme targeted at brokers and their salesforces. The programme encourages our brokers to help new retail customers make their first trades and build proficiency in trading. These efforts were supported by our 65 nationwide “handholding” events where we demystified the investing process for some 5,500 new retail investors.

Investor Education



Investor education is a critical component in our strategy of growing our retail investor base. The goal of investor education is not only to encourage the entry of new investors but also encourage existing investors to consider investing in more advanced products. Our investor education programmes are guided by the 3E strategy:

- Engagement:** Engage the public to take charge of their own financial status and be responsible for their future and wealth creation.
- Education:** Educate the various investor segments through structured programmes tailored for them.
- Empowerment:** Empower investors with the knowledge, skills and tools needed to make informed investment decisions.

MANAGEMENT DISCUSSION AND ANALYSIS

Education Programmes/ Initiatives (Number of Events and Attendees)

Type of Engagements	2018		2019	
	No. of Events	Attendees	No. of Events	Attendees
Future Investors	89	7,459	100	10,326
Beginners	40	5,269	46	16,403
Intermediate / Existing Investors	22	17,088	31	6,889
Market Savvy / Professionals	21	2,495	16	3,380
<b>Total</b>	<b>172</b>	<b>32,311</b>	<b>193</b>	<b>36,998</b>

36,998 participants encompassing the full investor spectrum, from potential investors to experienced retail traders, attended our 193 events and workshops held across the nation. Our initiatives also focused on products listed on the exchange:

- ETFs, including Leveraged and Inverse ETFs:** Our efforts were aimed at familiarising retail investors with these versatile products. In 2019, we held 111 sessions on ETFs that drew more than 13,500 attendees.
- REITs:** We held 71 REIT sessions which were attended by more than 5,700 attendees.
- Structured Warrants (SWs):** We held 19 sessions attended by more than 7,000 attendees, where risks and opportunities of investing in SWs were explained.

We further refined our educational outreach programmes in 2019 to meet the changing needs of retail investors and in response to the evolving market environment. We conducted fewer traditional investment seminars and increased the number of interactive workshops while placing greater emphasis on utilising digital channels such as online webinars, short education videos and infographics.

Investor education remains one of our key priorities in line with both our own strategic aim and with the Malaysian Government’s push to improve financial literacy in the country.

Mid and Small Cap Research Scheme (Bursa MidS)

The Bursa MidS programme was launched in 2017 to raise the visibility of mid and small-cap companies listed on Bursa Malaysia. Bursa MidS drives analysts’ coverage on these smaller PLCs and ensures the mass distribution of these reports through our BursaMKTPLC portal. A total of 1,829 research reports on 94 participating PLCs have been uploaded as at end of 2019 as compared to 1,259 reports as at end of the previous year.

In our efforts to further grow Bursa MidS, we conducted a number of direct engagements promoting participating PLCs in collaboration with our partners. These engagement sessions include:

- MidS Gems** was organised by Bursa Malaysia in collaboration with the Malaysian Investor Relations Association (MIRA) which showcased three Bursa MidS companies
- Mini Corporate Day in Singapore** was held in collaboration with Maybank Kim Eng which showcased one Bursa MidS company to Singapore investors

PILLAR 3

Improving And Providing An Enabling Ecosystem

We invest in our market ecosystem to create a more facilitative marketplace that will draw investor interest and thereby boost market activity. This in turn helps us achieve our strategic goal of building a vibrant and attractive marketplace for both local and foreign investors. Our initiatives in 2019 were focused on optimising our existing rules and frameworks and enhancing trade incentives to boost market activity and facilitating the offering of new products. These are detailed below:

Exchange-Traded Funds (ETFs)

Bursa Malaysia has identified ETFs to be a key part of our growth strategy and we actively work on enhancing the ETF ecosystem in all aspects to facilitate a more conducive environment for the listing and trading of the security. As part of our efforts to improve the overall ecosystem in 2019, we held a number of engagement sessions with market participants and ETF issuers to discuss initial ETF seed investments and facilitate collaboration between foreign and domestic ETF issuers with the aim of enhancing the technical know-how of the local industry.

MANAGEMENT DISCUSSION AND ANALYSIS

The regulatory framework was also enhanced this past year to facilitate the listing and trading of new types of ETFs. As a result, six new ETFs were listed on the Main Market in 2019 bringing the total number of ETFs listed to 16. The new listings are:

Two dual-currency ETFs listed on 28 January 2019

Four Leveraged and Inverse ETFs listed on 29 November 2019

These listings mark our move towards the provision of more sophisticated ETFs, relative to the basic index-tracking ETFs that were available previously. We expect that these products should attract a new segment of ETF investors who are looking for more sophisticated products to meet their investment goals. Our aim is to continue encouraging and facilitating the listing of a wider variety of ETFs to cater to the broad range of investment needs of our investors.

In another effort to develop our ecosystem, we decided in 2019 to revise and standardise the publication of ETF reports under the Capital Market Development Fund (CMDF) ETF research scheme. Our aim in doing so is to ensure that investors have access to high-quality research to enable better investment decision making. This is supported by a new functionality in BursaMKTPLC, i.e. the Indicative Optimised Portfolio Value (IOPV) for ETFs, which enables retail investors to gauge the proposition of including ETFs in their investment strategies.

Bursa Malaysia continues to encourage the growth of the domestic ETF ecosystem through the granting of rebates and waivers to ETF issuers and market makers, which have been in place since 1 January 2017. Additionally, trading in ETFs will remain exempted from stamp duty until December 2020, as announced in the Malaysian Federal Budget 2018.

► **Structured Warrants (SWs)**

As with ETF, SWs have been identified as another growth catalyst for the Securities Market. A more vibrant SW ecosystem will translate into a wider product range, more diverse participation and a more resilient market. In 2019, we continued to incentivise issuers by providing a rebate for initial listing fees of new SWs. A total of 1,105 new SWs were listed in 2019, representing a 6.9% increase from 1,034 SWs listed in 2018. The continuing growth of SWs listed on our Exchange reflects the sustained demand from both retail and institutional investors.

In addition, the demand for SWs was also driven by volatility in both local and international markets, leading to an increased demand for index warrants. A total of 173 index warrants were issued in 2019, marking a 23.6% increase from the 140 index warrants issued the previous year. The majority of these warrants were linked to the FBMKLCI, the Hang Seng Index and the S&P 500 Index.

As with ETFs, trading in SWs will remain exempted from stamp duty until December 2020, as announced in the Malaysian Federal Budget 2018.

► **Enhancing the IPO Ecosystem**

Having a healthy pipeline of IPOs is crucial to the long-term sustainability of both the Exchange and our marketplace. The entry of new listings not only expands our range of investable securities, but also adds depth and attracts new investors to trade on our platforms. It is therefore imperative that we ensure our IPO ecosystem is facilitative of listing and fundraising, and is responsive to the needs of our potential issuers.

In 2019, we focused our efforts on resolving key challenges facing the LEAP Market and to facilitate the listing of new economy companies on the Main Market. These activities were initiated in recognition that SMEs are the engine of the Malaysian economy and the increasingly important role played by new economy companies. Taken together, these sectors cover a large pool of companies with the potential for listing. Meanwhile, initiatives are undertaken to enhance the LEAP Market Framework that can help to inject more vibrancy in the market.

In addition to our efforts, the Malaysian Government has also announced incentives for SMEs and technology-based companies looking to grow their businesses by listing on the ACE or LEAP Markets. Companies opting for these fundraising routes can claim tax deduction of up to RM1.5 million on eligible listing expenses for their 2020 to 2022 tax assessment years.

► **Measures to Increase Market Liquidity**

Market liquidity is an important benchmark of the health and vibrancy of a marketplace and remains a key priority for Bursa Malaysia. In 2018, we launched the Intraday Short Selling (IDSS) and Volume-Based Incentive Programmes (VBIP) as part of our efforts to increase liquidity. In 2019, we determined that these programmes remained the best avenue for enhancing liquidity under prevailing market conditions and thus took the initiative to enhance both programmes.

**Intraday Short Selling**

We introduced IDSS in April 2018 to boost market liquidity and give investors greater flexibility in taking advantage of market volatility. IDSS has had a visible impact on the Securities Market since its introduction, accounting for 2.4%, or RM46 million, of total ADV in 2019. In addition, the number of Participating Organisations (POs) that offered IDSS increased to 16 during the year, up from 15 in 2018.

**Volume-Based Incentive Programme**

The VBIP offers rebates to eligible traders who trade above a minimum threshold or meet other defined criteria. There are two categories of investors who are eligible for the VBIP:

Participating Organisations with Investment Account Trader (IVT) accounts

Non-Participating Organisation Proprietary Trading Firms (PTFs)

The impact of VBIP has been positive, where trades under the category rose to account for 11% of ADV in 2019 as compared to 9% in 2018 due to the success of the programme.

► **Channel Management**

Bursa Malaysia has been implementing channel management initiatives since 2017 to build more effective, cohesive and collaborative business relationships with our broker partners. This entails working with them to develop strategies, and encouraging them to showcase, develop and grow the Malaysian market by way of regular engagement sessions on all market developments and product initiatives. In 2019, we held more than 70 engagements with our broker partners on a wide range of issues, including discussions on market invigorating initiatives.

Our other initiative in this area aimed to stimulate greater competition between our broker partners by making visible their performance benchmarks through our Quarterly Broker Data Factsheet. The Factsheet is disseminated to all participants, assigning them rankings vis-à-vis industry averages in all areas of the broking business. These rankings are meant to encourage participants to improve their performance and grow their market share in the marketplace.

► **Bursa Excellence Awards**

Since its inception in 2014, the Bursa Excellence Awards has established itself as a premier event for the capital market fraternity. The event brings together members of the broking fraternity from the Securities, Derivatives and Islamic Capital Markets, and recognises the contributions of our top market intermediaries in building a sustainable and inclusive capital market.

This year's event, themed "Outthinking, Outlasting, Outstanding", attracted more than 300 representatives from across the industry. Awards were handed out across 18 categories with a total of 44 winners. Winners were selected through a rigorous assessment process, based on a pre-determined criteria which was verified by SJ Grant Thornton.

MANAGEMENT DISCUSSION AND ANALYSIS

PILLAR 4

Regional Expansion

Bursa Malaysia has a clear regional strategy with two main thrusts:

- Expand our offerings regionally
- Diversify our investor base by increasing the number of regional participants in our market

We have implemented a number of initiatives to promote our marketplace among ASEAN investors aimed at both retail and institutional participants. We continued to do so in 2019 in the following ways:

- Collaborating with foreign brokers to promote the Malaysian stock market through Spotlight on Malaysia seminars including presentations from PLCs and analysts to the clients of the foreign brokers

- Tactical campaigns with brokers and their sales forces to promote Bursa Malaysia and build awareness about our products and services to their clients
- Promoting investment opportunities on the Exchange via our foreign brokers' social media channels to educate their viewers about our products and investment opportunities in Malaysia
- Launching the ASEAN Exchanges revamped website which functions as a common platform to further promote intra-ASEAN and regional trades

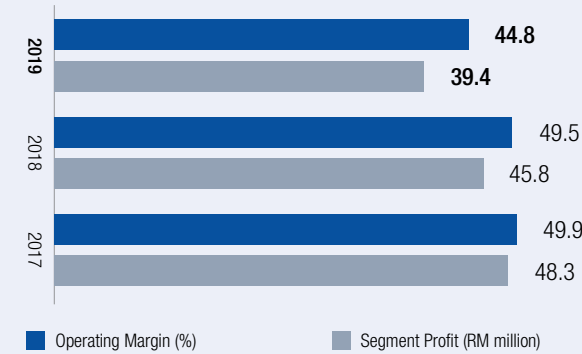
ASEAN continues to be a trove of potential value with ample opportunities for us to grow our business. We continue to view the establishment of business in the region as a key strategic thrust and will continue to grow our linkages through partnerships and collaborations with appropriate partners.

DERIVATIVES MARKET

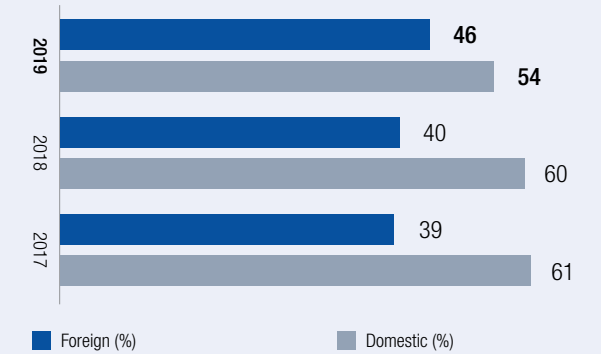
Bursa Malaysia's Derivatives Market was affected by low levels in commodity price, which in turn reduced the overall number of contracts traded. Trading was also affected by the lower volatility in the benchmark FBMKLCI, which reduced investor appetite for the index futures contracts.

Contribution from the Derivatives Market moderated in 2019 as derivatives trading revenue decreased by 5.8% to RM72.3 million from RM76.7 million a year ago. The lower revenue was due mainly to the lower number of contracts traded for the FBMKLCI futures contracts. For the year, average daily contracts (ADC) for the Derivatives Market declined by 2.0% to 55,372 contracts (2018: 56,488 contracts). Meanwhile, non-trading revenue was at RM13.7 million in 2019, representing a 2.8% drop from RM14.1 million in 2018, bringing total operating revenue for the segment to RM86.0 million (2018: RM90.8 million).

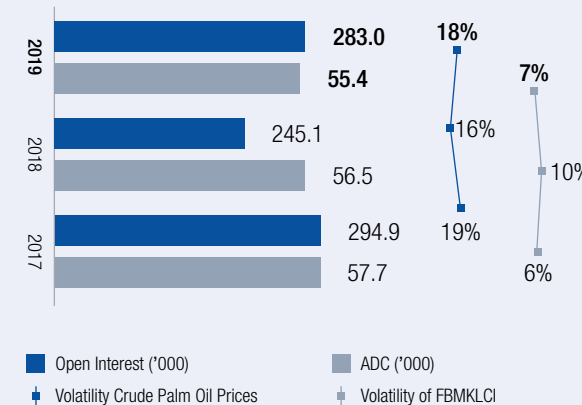
Segment Profit and Operating Margin



Foreign and Domestic Participation



ADC, Open Interest and Volatility



Segment Revenue

	2018 RM million	2019 RM million	% Change
Trading Revenue	76.7	72.3	↓ 5.8%
Market Data	8.4	8.4	↑ 0.5%
Member Services and Connectivity	0.2	0.3	↑ 68.4%
Conference and Exhibition Related	5.5	5.0	↓ 9.2%
<b>Total</b>	<b>90.8</b>	<b>86.0</b>	<b>↓ 5.3%</b>

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Environment

2019 started on a lacklustre note but gained momentum in the final quarter of the year. Key developments which impacted derivatives trading in 2019 include:

Uncertainties surrounding the Brexit negotiations

Higher import tariffs on CPO and refined palm oil imposed by India, which were increased from 45% to 50%

Concerns over the impact on global trade and capital flows resulting from the US-China trade tensions

The European Union's ban on the use of palm oil in biofuels

Despite the slow start to the year, the rally in crude palm oil (CPO) prices midway through the year saw new records for trading volumes in the second half of 2019 as investors took cue from the recovering CPO prices and developed greater interests in CPO futures (FCPO). This resulted in the Exchange registering the highest quarterly ADC for FCPO in the fourth quarter of 2019, and the full-year ADC for FCPO increasing by 1.8% in 2019 to 43,870 contracts from 43,092 contracts in 2018.

The robust trading in FCPO in the fourth quarter also helped our Derivatives Market to record the highest volume of total monthly derivatives trades in November which saw 1.47 million total derivatives contracts exchanging hands, superseding the previous record of 1.41 million contracts set in August 2015. Trading of FCPO contracts similarly hit a historical high in November with 1.21 million contracts traded, surpassing the previous record of 1.17 million contracts registered in February 2017.

The bullish appetite for commodities futures, however, did not extend to the trading of the FBMKLCI Futures (FKLI) contracts, which remained muted owing to the subdued performance of the index. Total volume traded for FKLI decreased by 8.6% to 2.28 million contracts in 2019 as compared to 2.50 million contracts traded in 2018. Similarly, the performance of the USD RBD FPOL contract, which was launched in 2018, moderated to a total volume of 104,492 contracts as compared to 507,394 contracts traded in 2018.

As for our options contract on FCPO (OCPO) and FKLI (OKLI), a total of 53,100 (2018: 66,066 contracts) and 13,243 contracts (2018: 10,486 contracts) were traded respectively. The Derivatives Market ended the year with higher Open Interest, which stood at 283,014 contracts as at 31 December 2019 (2018: 245,143 contracts).

Despite the more moderate performance in 2019, the Derivatives Market remained resilient, and continued to be the marketplace of choice for CPO traders. We will continue to build on this strength in 2020 to develop the Derivatives Market as a key driver for growth and become one of the top two derivatives exchanges in ASEAN. Our development plans are anchored on the Four Pillar growth strategy that underlies the key initiatives of all Bursa Malaysia's operating units.

MANAGEMENT DISCUSSION AND ANALYSIS

PILLAR 1

Increasing Securities and Other Product-Related Offerings

Initiatives under this pillar are designed to enhance our derivatives ecosystem by introducing new liquid products and improvements to existing products. The widening of our product base aims to draw greater investor interest, whilst enhancements to products are made to improve the ease of trading. This section explains the initiatives that we undertook in 2019 in greater detail.

► Products in Development

Bursa Malaysia continuously explores the development of new products or enhances existing ones in order to meet evolving market needs and in responding to industry feedback. In 2019, we embarked on the enhancement of two products to better meet liquidity needs and to make them more attractive to the market.

- **RBD Palm Olein Option (OPOL):** The Derivatives Market developed the RBD Palm Olein Option (OPOL), an options contract covering the USD RBD Palm Olein Futures (FPOL) contract launched in 2018. The OPOL contract, which is the Derivatives Market's first USD options contract, will create an additional avenue for investors who were previously unwilling to trade in the Ringgit-denominated OCPO because of currency risk. As a USD-denominated options contract, OPOL will enable foreign buyers and importers to hedge their exposure to palm olein price fluctuations in USD instead of in Ringgit.

The OPOL contract is targeted at all trade segments including:

- Importers and downstream players including end product manufacturers
- Investment banks
- Locals and professional traders
- Retail traders
- **Single Stock Futures (SSF):** In 2019, we initiated our efforts to revitalise the SSF for its relaunch in early 2020. Our plan is to expand the range of SSFs on offer by securing additional market makers to generate liquidity, as well as increasing the number of underlying shares on which the SSF contracts are offered, from seven to 10.

PILLAR 2

Developing and Growing a Diverse Investor Base

Initiatives under this pillar are aimed at enhancing the Derivatives Market's vibrancy by increasing the market participation of both retail and institutional investors. Our efforts are focused on investor education and awareness programmes that emphasise the opportunities for enhanced returns with derivative products and their increasingly important role as instruments for diversification and risk management. To that end, we maintain a comprehensive outreach and educational programme that targets defined investor segments.

► Retail Focus

Our engagement events and programmes for 2019 included webinars, briefings, seminars, coaching sessions and workshops. These events give us the platform to promote our derivative products and trading strategies, while giving our attendees the opportunity to interact directly with our TPs. Our promotional activities are focused on key derivative products and at raising awareness on other market topics and trading trends. These engagements ranged from basic introductory briefings, intermediate trading strategies as well as advanced masterclass workshops so as to cater to participants with varying levels of investment experience. We hosted a total of 196 engagements which were attended by a total of 14,951 attendees.

► Institutional Focus

One of our key priorities in engaging with the institutional segment is to maintain our leading position in CPO futures and strengthen the position of FCPO as the global benchmark. As part of our ongoing market-building initiatives, we conducted strategic outreach programmes with institutional players to obtain feedbacks on our performance and to discuss new changes in the evolving derivatives industry.

As in previous years, we continued to host our flagship Palm and Lauric Oils Conference and Exhibition (POC) which celebrated its 30<sup>th</sup> iteration in 2019. This annual event brings together key players across the industry to discuss market trends, current issues and latest forecasts, and also serves as a strategic platform for industry professionals to meet potential clients.

POC is a unique opportunity for Bursa Malaysia Derivatives to showcase our FCPO contract and to deepen our engagement with industry players and stakeholders. The POC was held in March 2019 with the theme "Manage Uncertainties, Harvest Global Opportunities" which attracted 1,800 participants from across 60 countries.

## MANAGEMENT DISCUSSION AND ANALYSIS

**PILLAR 3**
**Improving And Providing An Enabling Ecosystem**

Under this pillar our focus was on optimising existing rules and frameworks and enhancing trade incentives to boost market activity. The enhancements made to our market ecosystem in 2019 reflect the results of a major review of our business rules that we undertook during the year as part of our efforts to enhance operational and business efficiency.

**► Liberalisation of the Dual Licensing Fast Track Programme**

Bursa Malaysia has secured the SC's approval to liberalise the Dual Licensing Fast Track Programme (DLFT) Programme and aim to launch the revised programme in 2020. Under the new liberalised regime, qualified remisiers from the Securities Market can also be licenced to deal in derivatives upon the completion of the DLFT. Liberalising this programme will effectively open up the distribution of derivative products to eligible remisiers in the securities market, thereby allowing them to market and distribute derivative products to their existing clients. We believe that the acceleration of the participation of remisiers in our market will raise derivatives trade volumes and enable them to offer greater value to their existing clients.

**► Revamp of Business Rules**

As part of our ongoing effort to enhance business efficiency and the flexibility of doing business in our Derivatives Market, Bursa Malaysia has revamped the Rules and Directives of Bursa Malaysia Derivatives and Bursa Malaysia Derivatives Clearing Berhad (BMDC). The rule changes have the following outcomes:

Reduce regulatory burden and liberalise the regulatory framework, according greater flexibilities in the market participants' dealings to manage and operate their business whilst ensuring adequate investor safeguards are in place.

Remove the prohibition of a proprietary day trader from becoming a dual licensee, thus allowing greater flexibility for dual licensee holders dealing in both securities and derivatives to manage and operate their business.

Strengthen the governance framework for the market participants, which in turn promotes better conduct and self-regulation.

Greater transparency following the review and clarification in the business rules. This provides clearer, more streamlined rules to ease compliance as the rules have been updated and directives consolidated to facilitate easy reading and understanding.

Improve efficiency in processes, application and reporting requirements as well as better management by BMDC with regard to systemic risks, thus promoting investor protection and enhancing market confidence as a whole.

With the revamped rules, which came into effect on 15 August 2019, trading and clearing participants are now able to increase their efficiency and provide better services to their clients. The revamped rules also demonstrate our balanced and facilitative approach to promote market development whilst ensuring that regulatory objectives in maintaining market integrity and investor protection are not compromised.

**► Institutionalising Locals**

Bursa Malaysia actively encourages professional traders to set-up their own proprietary trading firms under the Associate Participants (APs) programme which would allow traders to scale up their participation in the Derivatives Market and also allow them to recruit and train new traders. Since 2018, the total number of APs established by our Locals has increased to three.

The take-up rate has been lower than expected because the majority of Locals who have been operating on an individual basis do not see any benefits in converting their business model in the absence of significant incentives. We will continue our efforts to encourage our Locals to change their business model from individual trader to become a proprietary trading firm and initiate greater collaboration with Trading Partners to recruit and train new traders.

**► Retail Transaction Incentive Programme (RTIP)**

We extended the programme into 2019 to complement our education efforts in encouraging experienced retail traders to increase their derivatives trading activities. A total of 17 RTIP applications were received in 2019 comprising seven new applications and 10 recurring ones. We will continue this programme as part of our efforts to drive participation in the Derivatives Market.

## MANAGEMENT DISCUSSION AND ANALYSIS

**PILLAR 4**
**Regional Expansion**

We continue to drive regional expansion with two main objectives:

- to support Bursa Malaysia's strategic goal of becoming an attractive and vibrant ASEAN's exchange, and
- to enhance the vibrancy of our Derivatives Market by attracting more foreign participants.

We have adopted a two-track approach in support of these goals. The first track focuses on initiatives to set-up formal collaboration between our exchange and foreign market participants. The second track focuses on educating foreign market participants on the products and opportunities that exist within the Malaysian derivatives market.

**► Strengthening Relationships with Regional Brokers**

Bursa Malaysia Derivatives has established long-standing relationships with foreign brokerage firms in our target markets of Greater China, India and Southeast Asia to explore the possibility of their establishing a Malaysian presence. This is part of our concerted effort to direct foreign trade flow into our Derivatives Market. We have also been actively facilitating the establishment of inter-broke relationships between Malaysia's TPs and foreign brokerage firms. This setup creates an alternate route for foreign brokers who are not yet ready to commit to establishing a presence in Malaysia to actively trade in our Derivatives Market via their local connection.

**► Strengthened Collaboration with Dalian Commodity Exchange**

We continued to build on our established relationship with China's Dalian Commodity Exchange (DCE) to jointly hold the annual China International Oils and Oilseeds Conference 2019 (CIOC), which is held in the last quarter each year. Notwithstanding the turbulence in global trade flows, interest remained high, as evidenced by the consistently strong turnout from the oils and oilseeds industry at the event which was held on 7 November 2019 in Guangzhou, China.

CIOC 2019 saw more than 900 international delegates in attendance, representing the largest assembly of industry players for the oilseeds business thus reaffirming its position as the world's largest oils and oilseeds conference. CIOC is always a highlight in the calendar year as it plays an important role as a critical networking platform that provides major corporate and professional players with avenues to establish trade opportunities as well as strengthen working relationships with their counterparts.

Our involvement with CIOC is a significant part of our strategy into China, which aims to increase market participation from investors from the world's second largest economy. By the end of 2019, trading participation from Greater China increased to 5.6% of total trading volume on our market, which marks a 6.5% increase from 2018.

**► Strategic Collaboration with CME**

Our relationship with Chicago Mercantile Exchange (CME) provides our derivative products with global visibility, accessibility and connectivity.

On 18 September 2019, the Exchange announced that it has extended its agreement with CME to host Bursa Malaysia Derivatives products on CME Globex until September 2025 at lower fees, with an additional option of successive renewal terms of three years thereafter. Bursa Malaysia also acquired the remaining 25% equity interest in Bursa Malaysia Derivatives from CME Group Strategic Investments LLC, a wholly-owned subsidiary of CME Group following the exercise of the Put Option as prescribed under an agreement entered into on 30 November 2009.

With the extension of the CME Globex agreement and CME's divestment of the equity interest in Bursa Malaysia Derivatives, both parties have entered into a non-binding Strategic Cooperation Agreement where a joint working group to explore opportunities to develop and market new products has been established.

## ISLAMIC CAPITAL MARKET

Bursa Malaysia's Islamic Capital Market (ICM) is a key component and strategic enabler facilitating our ability to remain sustainable and continue creating value for our stakeholders.

The Exchange is at the forefront in the Islamic capital market space and leads in terms of the breadth and depth of product and service offerings. Our strategic vision is to be the leading global exchange for Islamic products, leveraging on Malaysia's comprehensive Islamic finance ecosystem to cater to the growing demand for sustainable and responsible investment (SRI) assets. Bursa Malaysia's ICM offerings presently comprise two Shariah-compliant platforms:

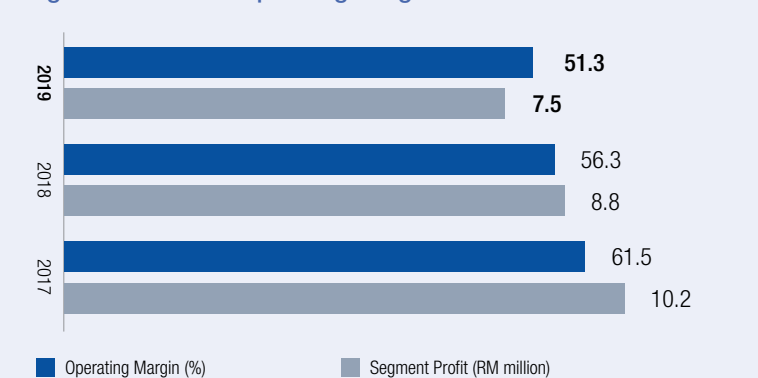
- the Bursa Malaysia-*i* securities trading and investing platform, and
- the Bursa Suq Al-Sila' (BSAS) commodity Murabahah trading platform.

Trading on Bursa Malaysia-*i* remained stable, with the overall ADV of Shariah-compliant securities traded on the Exchange at RM1.2 billion for 2019, which is 64.1% of the overall ADV of RM1.9 billion.

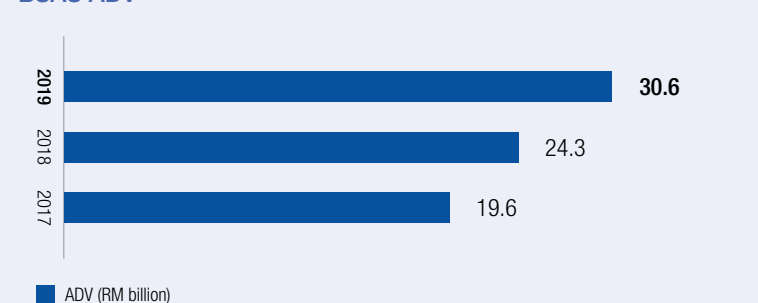
As Bursa Malaysia-*i* is a subset of the Securities Market, its profit contribution is included in the Securities Market segment.

In 2019, profit contributions from ICM, which is solely from BSAS trading, was impacted by greater competition. Profit contribution for the year declined 14.8% to RM7.5 million (2018: RM8.8 million). Although the BSAS ADV grew by 25.5% to a new record high of RM30.6 billion, trading fees declined by 6.3% to RM14.0 million (2018: RM14.9 million) mainly due to volume-based pricing scheme. The trading by foreign CTPs dropped to 18.0% in 2019 from 26.0% a year ago.

Segment Profit and Operating Margin



BSAS ADV



Segment Revenue

	2018 RM million	2019 RM million	% Change
BSAS Trading Fees	14.9	14.0	↓ 6.3%
Other Operating Revenue	0.5	0.4	↓ 2.5%
Total	15.4	14.4	↓ 6.2%

### Operating Environment

The operating environment for Bursa Malaysia-*i* was affected by the same issues that impacted trading on the Securities Market. The performance of Bursa Malaysia-*i* was similarly impacted as investors remained cautious in anticipation from greater certainty to return to the market.

The BSAS platform faced greater competition from existing commodity trading platform providers in 2019. Nevertheless, we continue to work on our strategic initiatives to create unique value propositions that will keep us relevant and at the same time attractive to our participants. While we expect the competition to further intensify in 2020, we remain vigilant and confident that the strategies we have put in place, especially in stepping up on our efforts to recruit more participants and to offer more competitive and sustainable commodities, would enable us to improve our margin and sustain our market share.

### PILLAR 1

#### Increasing Securities and Other Product-Related Offerings

Our initiatives under this pillar focused on enhancing and expanding the list of investable instruments to attract a wider range of investors to our Bursa Malaysia-*i* platform thereby building greater liquidity and resilience into our ICM. Our focus on expanding the range of SRI assets listed on the platform also builds greater sustainability into our Exchange and increases our competitiveness as a destination of choice for SRI and faith-based investors.

#### ► Bursa Malaysia-*i*

Bursa Malaysia offers a large and diverse pool of Shariah-compliant investment instruments across its Main, ACE and LEAP Markets through its end-to-end Shariah-compliant trading and investment platform, Bursa Malaysia-*i*. The platform offers a full-suite of Shariah-compliant exchange-related services, including listing, trading, clearing, settlement and depository facilities. Additionally, it offers access to a wide range of Shariah-compliant securities including *i*-Stocks, *i*-ETFs, *i*-REITs and Exchange-Traded Bonds and Sukuk (ETBS). The number of FTSE4Good Bursa Malaysia Index constituents that are Shariah-compliant have also grown steadily to a share of 71.0%, up from 69.6% in 2018, further enhancing the appeal of our Shariah proposition.

As at the end of 2019, RM1.1 trillion, or 65.2% of the total market capitalisation, and 76.9%, or 714 out of a total 929 companies, listed on the three markets met the criteria for being Shariah-compliant (2018: RM1.1 trillion and 689 out of 902 companies).

We leverage on this growing pool of Shariah-compliant instruments and platform to offer investors the unique opportunity to build a multi-asset Shariah-compliant portfolio that can be benchmarked against Shariah indices.

Bursa Malaysia-*i* retains substantial growth potential with the SRI space being a largely untapped market. Our strategy in this space is to further grow the pool of Shariah-compliant investing instruments and to further drive the adoption of Bursa Malaysia-*i* by the local stockbroking community.

To date, Bursa Malaysia-*i* has seen strong growth in the number of Islamic participating organisations since its launch in September 2016, with 15 out of the country's 29 stockbroking firms registered to provide Islamic stockbroking services.

MANAGEMENT DISCUSSION AND ANALYSIS

► Bursa Suq Al-Sila'

BSAS is a commodity trading platform specifically dedicated to facilitate Islamic liquidity management and financing by Islamic financial institutions. BSAS provides industry players with a regulated environment to support Islamic interbank placement, client deposit taking, financing, profit rate swap and cross currency swap, as well as sukuk issuances using the concept of Murabahah and Tawarruq. It undertakes contracts in various currencies to facilitate cross-border trades between Islamic financial institutions and commodity players worldwide.

In 2019, we expanded our BSAS offerings by adding lead, a sustainable metal-based commodity on the platform.

PILLAR 2

Developing and Growing a Diverse Investor Base

Despite the strong growth track record of ICM over the past decade, Shariah-compliant products continue to be perceived as a niche and alternative product by most retail and institutional investors, both domestic and foreign. This perception has contributed to some reluctance to invest in Shariah-compliant products. This has in turn impaired investor growth and participation on ICM and remains an obstacle to the further development of our markets. The initiatives that we have deployed under this pillar are aimed at improving the level of education and awareness of Shariah-compliant products and Shariah investing, and we do so through our outreach programmes.

To that end, ICM substantially increased its outreach and education programme in 2019, conducting more than 200 direct engagements with market participants, including fund managers, institutional investors and over 35,000 retail investors over the course of the year. For the second consecutive year, we also conducted education and outreach programmes in Singapore to promote Shariah investing and raise awareness of the unique value proposition offered by Bursa Malaysia-i. Our outreach programmes have had significant success, with 26,695 new Shariah trading accounts opened in 2019, representing an increase of 47.2% over the previous year, which saw 18,130 new accounts opened.

In each of our events, we emphasise the inherent value of Shariah-compliant and SRI assets. We also show that the performance of these assets is generally on par with, if not better than, conventional securities. Between the end of 2010 and the end of December 2019, Shariah-compliant indices have consistently outperformed their conventional counterparts, indicating that Shariah-compliant investment is an attractive source of value for investors.

Within this context, our strategy to develop our investor base is focused on changing perception, that is Shariah-compliant securities should be regarded as a key component in any portfolio rather than alternative investing option, and not just for investors with an SRI or faith-based mandate.

PILLAR 3

Improving and Providing an Enabling Ecosystem

The Exchange made several efforts to improve the ICM ecosystem in 2019 by strengthening the Shariah framework governing the BSAS platform. The adherence to a more rigorous Shariah-compliant framework is intended to give greater confidence to investors choosing between competing Murabahah platforms.

In addition, we continued to actively promote the message-based Straight-Through-Processing (STP) system which was launched in December 2018 to enable better systems integration with the core banking systems of our participating members. STP is an initiative to automate commodity Murabahah transactions on BSAS system, replacing manual purchases. To further strengthen our relationship with market participants and further encouraging greater trading, we continued to offer competitive pricing to qualified members through our volume-based pricing scheme.

It is noteworthy that our efforts to enhance our ICM ecosystem have been recognised by the global investing community. In 2019, Bursa Malaysia won the award for "Best Stock Exchange for Islamic Listings" at the 14<sup>th</sup> IFN Service Providers Poll for the second consecutive year. The award is indicative of the robust stage of our market ecosystem and that our development plans remain on the right track in meeting investors' needs and goals.

MANAGEMENT DISCUSSION AND ANALYSIS

PILLAR 4

Regional Expansion

Our strategy actively leverages on our unique leadership position in the Islamic capital market to expand our presence in the region and in turn attract more regional participants into our markets through our collaboration with regional brokers and institutional investors.

BSAS continued to attract strong interest from regional and foreign market participants in 2019. BSAS admitted a total of 49 new participants to its platform this year, including seven new foreign participants. Two of these foreign participants are members from newly admitted countries, namely Tajikistan and South Africa. At the end of 2019, the number of participants on BSAS stood at 222, up by 28.3% from the 173 registered participants in 2018.

BSAS plays a key role in Bursa Malaysia's regional growth strategy. The platform has proven its appeal to local and global financial and non-financial institutions and now has presence in 18 countries. Going forward, BSAS has a clear strategy to tap additional participants from the targeted markets of countries in Africa and the Commonwealth of Independent States.



Members of our Shariah Committee. From left to right: Prof Dr Younes Soualhi (Member), Prof Dr Ashraf Md Hashim (Chairman), and Dr Shamsiah Mohamad (Member).



IFN Service Providers Award 2018 - Best Stock Exchange for Islamic Listings

**TOWARDS OPERATIONAL EXCELLENCE**

Bursa Malaysia's value creation activities are dependent on the efficient and smooth-functioning of our internal operations, which range from the technology that we deploy to the people that we recruit and train. As operational excellence is inextricably linked to the Exchange's performance levels, we invest considerable time and resources to ensure that we have the right people and tools in place to meet the current and future needs of our organisation.

**Leveraging on Technology**

We have identified technological innovation as a key enabler necessary for taking the Exchange to the next level. With applications at all levels of our value chain, we believe that a systematic and innovative approach to technology can translate to improved productivity and a more vibrant and attractive market.

Key initiatives implemented in 2019 include:

**1 Implementing T+2 settlement cycle**

The technology implemented in 2019 allows for the shorter settlement time in our equities market from three business days to two business days. The shortening of the settlement cycle brings us closer in line with practices of major global exchanges.

**2 Launch of Bursa Anywhere mobile app for CDS depositors**

Bursa Anywhere is a mobile app that gives our retail investors the flexibility of managing their CDS accounts anywhere and at their own convenience. Through this app, investors are able to view their account details on their mobile device when they previously had to rely on brokers or their monthly statements to obtain the information. This is the first mobile CDS electronic app to be launched in ASEAN.

**3 Launch of the new, mobile-friendly Bursa Malaysia Corporate Website**

We revamped our corporate website to deliver functional and experiential improvements to users, which includes investors, issuers and the wider public. The new website adopts a more user-friendly design with improved readability and navigation. It is also now device and mobile-responsive, enabling on-the-go access to website content available in three languages – English, Malay and Chinese.

**4 Launch of our New Market Surveillance System (NMSS)**

Following the launch of the NMSS in 2018, we embarked on further automation to leverage on the new system. Our new initiatives improved our alert modules, i.e. via the introduction of new alerts and reports, and reduced the turnaround time required to generate reports. This has helped us to identify and respond to irregular trading activities at a shorter time.

**5 Enhancing of BursaMKTPCL: Our Digital One-stop Portal for Investors**

We continuously update BursaMKTPCL with fresh content and functionality improvements, enhancing our virtual platform for investors to improve their knowledge and skills.

**6 Completing our first Blockchain Proof-of-Concept (POC)**

Working together with a technology partner and industry collaborators, we accomplished our first securities borrowing and lending (SBL) POC blockchain technology solution designed to improve the operational efficiency in the securities lending supply and borrowing demand (Lending Pool). The successful outcome opens up future possibility of using blockchain technology to transform the SBL market.

In 2019, we encountered two interruptions, one on the derivatives trading platform in February 2019 and another on the equities trading platform in December 2019. In both cases, the incident response, system recovery and communication processes were promptly carried out to ensure timely business resumption.

**Cyber Security**

As our mission critical computer systems handle a vast amount of data and information, it is vital for us to strengthen our cyber security and technology infrastructure to prevent and mitigate our exposure to security risks, as well as to ensure the smooth operation of the markets.

Bursa Malaysia has adopted a framework in managing cyber threats. Under the framework, we also adopt key cyber security standards and guidelines. The Cyber Security Roadmap has also been planned to further elevate cyber maturity and stipulate the overall cyber management approach.

We believe in the importance of building a safe and strong cyber resilient environment in the capital market. As such, we continually work towards this objective primarily by raising awareness on cyber security among the Participating Organisations (POs) and Trading Participants (TPs).

**Building a High-Performance Organisation (HPO)**

Our human capital is a key input in all our value creation activities and therefore a significant determinant of the quality of all outcomes, such as customer satisfaction levels, optimisation of resources, service quality, etc.

Over the last few years, the Exchange has been making a deliberate effort to build a HPO to support our mission-critical roles and strengthen our overall levels of sustainability. Our efforts are also designed to future-proof our organisation by establishing a clear leadership succession plan to ensure business continuity, as well as a deep talent pool that will meet the Exchange's future needs. These efforts to build a HPO are categorised as follows:

**1 Building Leadership Bench Strength**

**2 Capability Development**

**3 Rewards Enhancement**

**4 Productivity Enhancement**

**5 Culture Transformation**

**Building Leadership Bench Strength**

Following our efforts to establish a programme upon which to develop our pool of leaders in 2018, this year, we focused on initiatives to strengthen the leadership capabilities of identified successors and key talents. These identified talents were enrolled in a six to 12-month long leadership programme that focused on leadership skills to sharpen their competencies and prepare them for their targeted roles. The talents also participated in leadership sharing sessions and were assigned coaches to monitor their progress throughout the duration of the programme. Leadership development will remain our main focus going into 2020 as we identify ways to further strengthen their capabilities and enhance the coaching programme.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Capability Development

Our capability development initiatives are aimed at improving staff competencies to support core and new functions, as well as foster a more empathetic culture in the Exchange. Initiatives in 2019 were focused on experiential learning, coaching and e-learning in addition to traditional classroom training. Employees were evaluated in various ways to determine the effectiveness of the training, and the applicability of the training to their work duties. Going forward, we will focus on narrowing the competency gaps in our staff while our learning plan will be focused on programmes based on Industry 4.0 skills. Programme participants will be selected based on their individual development plans.

#### GO1: E-learning Courses

Our e-learning platform, launched in 2018, has close to 300 soft skill courses which includes bite-sized courses on a variety of topics. This platform provides our employees with the opportunity to learn at their own pace. Pre and post assessments are also conducted to ensure employees are learning the skills provided.

This year, we promoted the platform heavily amongst our employees to create the awareness as an alternative learning tool and encourage utilisation. In 2019, there was an increase in the usage of the platform from 9.7% (2018) to 90.2% (2019).

### Rewards and Benefits Enhancement

We identified rewards and benefits enhancement as a core component of our HPO plan in order to retain skilled staff. For this purpose, we engaged Aon Hewitt in 2019 to review our HR Policies and Procedures (HRPP), and benchmarked them against best practices with the aim of increasing the maturity curve of our current policies. The results of the review showed

that Bursa Malaysia's HRPP was at the 50<sup>th</sup> percentile range of the market in terms of its maturity curve. As such, we are looking at initiatives that can be implemented immediately and/or improve the current policies to bring us further up the curve. The implementation of these policies will be our focus for 2020.

### Productivity Enhancement

Initiatives under this category are aimed at improving the overall productivity levels of our workforce to meet stakeholder expectations. In 2019, we focused our efforts on improving operational excellence through digitalisation and transforming the customers' end-to-end experience. We have seen greater efficiencies and effectiveness in the Exchange's operations and services by reducing the level of complexity. We are also in the process of implementing the Bursa Digitalisation and Automation Programme which aims to automate workflows organisation-wide. The digitalisation and automation efforts will continue in 2020, and are expected to further realise process efficiencies to improve productivity.

### Culture Transformation

We aim to create a data-driven, high-performance workforce that is sustainable and growth-focused. To achieve this end, efforts are being made to change the existing culture at all levels of the organisation. As one of the first measures taken to change our culture, Bursa Malaysia introduced a new organisational structure which took effect on 1 January 2020. The reorganisation will result in a flatter structure that reports directly to the CEO. There are two benefits to this change. First, direct CEO oversight coupled with centralised functions sets clear and forward-looking strategic direction, which in turn sets the pace for the rest of the organisation. Second, the flatter structure promotes agility, innovation and greater operational efficiency, thereby empowering staff to take greater responsibility for their actions. We believe that this move will accelerate the development of new capabilities and drive innovation across the Exchange.

## MANAGEMENT DISCUSSION AND ANALYSIS

## OUTLOOK

In January 2020, the World Bank projected a modest rebound in the global economic growth for 2020 amid a fragile outlook. The World Bank expects global growth to improve at a restrained pace of 2.5% in 2020 from the post-crisis low of 2.4% estimated for 2019 amid the weakening trade and investment. Downside risks are expected to dominate. This includes the possibility of re-escalation of global trade tensions, sharp downturns in major economies and financial disruptions in emerging market and developing economies<sup>1</sup>. The World Bank projected for the Malaysian economy to grow by 4.5% in 2020. Similarly, the IMF projected Malaysia's GDP growth to be stable at 4.5% with domestic demand to remain the main driver for growth<sup>2</sup>.

Bank Negara Malaysia forecasts that in the first quarter of 2020, growth will be impacted by the Covid-19 outbreak. Implications on the Malaysian economy will be dependent on the duration and severity of the outbreak as well as policy responses. On a whole, growth is expected to be supported by household spending, and modest recovery in investment underpinned by the realisation of approved private investment projects and higher public sector capital spending<sup>3</sup>. Headline inflation in 2020 is projected to average higher than in 2019 but is expected to remain modest. However, further challenges are expected to be tempered by the Government's stimulus package across all Ministries in response to the impact of Covid-19 outbreak, which was announced by Tun Mahathir Mohamad, the Interim Prime Minister of Malaysia<sup>4</sup>.

### Our Strategic Plans Moving Forward

Our efforts in 2019 to reorganise and reshape Bursa Malaysia's structure and culture will continue in 2020. We have set in motion the plans to strengthen the organisation from within through changes in areas of people, governance and infrastructure, particularly in technology. We believe our initiatives in 2019 have allowed us to refocus on what we need to do to remain relevant, competitive and agile. It will also allow us to be more responsive to our stakeholders and market movements.

Moving forward, we will continue to execute our plans to improve the organisation's productivity, create a seamless and efficient experience for investors through our ongoing digitalisation and process improvement efforts. At the same time, we will also grow our reach and offerings through broader and deeper collaborations within our markets, both locally and internationally.

<sup>1</sup> Source: World Bank <https://openknowledge.worldbank.org/bitstream/handle/10986/33044/211469-Ch01.pdf>

<sup>2</sup> Source: IMF <https://www.imf.org/en/News/Articles/2019/12/17/pr19466-malaysia-imf-staff-completes-2020-article-iv-consultation-visit>

<sup>3</sup> Source: Bank Negara Malaysia [https://www.bnm.gov.my/index.php?ch=en\\_press&pg=en\\_press&ac=4992&lang=en](https://www.bnm.gov.my/index.php?ch=en_press&pg=en_press&ac=4992&lang=en)

<sup>4</sup> Source: The Star <https://www.thestar.com.my/business/business-news/2020/02/27/highlights-of-stimulus-package>

# WHO LEADS US



**Datuk Muhamad Umar Swift**  
Chief Executive Officer,  
Bursa Malaysia Berhad  
Leads Bursa Malaysia Berhad  
Group of Companies\*



**Rosidah Baharom**  
Chief Financial Officer

- Finance
- Corporate Planning & Investor Relations
- Procurement, Facility & Administration
- Security Services



**Mahdzir Othman**  
Director, Securities Market

- Listing Development
- Product & Market Development
- Retail & Digital Development
- Institutional Development
- Islamic Products & Market Development
- Investor Education
- LFX



**Samuel Ho Hock Guan**  
Acting Chief Executive Officer,  
Bursa Malaysia  
Derivatives Berhad

- Product & Market Development
- Investor Development



**Tay Yu Hui**  
Director, Market Operations

- Trading Operations & Market Control
- Clearing & Settlement
- Depository
- Governance & Participant Management
- Operations New Services



**Ashish Jaywant Rege**  
Director, Group Technology

- Information Technology Governance & Standards
- Information Technology Infrastructure & Security Services
- Core Solutions Delivery
- Information Technology Operation Services
- Information Security



**Inderjit Singh**  
Acting Chief Regulatory Officer

- Regulatory Policy & Advisory
- Corporate Surveillance & Governance
- Participants Supervision
- Market Surveillance
- Listing
- Enforcement
- Investigation

# WHO LEADS US



**Azman A. Khalid**  
Director, Human Resources

- HR Development
- HR Engagement & Governance
- Knowledge Centre



**Shamsul Akmal Ahmad**  
Executive Vice President,  
Bursa Suq Al-Sila'

- BSAS Development
- BSAS Operation
- Shariah & Governance
- Treasury



**Mohd Zulkifli Mustafa**  
Acting Director,  
Corporate Strategy

- Strategic Intelligence & International Alliances
- Strategic Planning
- Strategic Innovation & Development
- Strategic Analytics & Reporting
- Strategic Execution
- Strategic Communications



**Mazliana Mohamad**  
Director, Internal Audit

- Commercial & Operations Audit
- Regulation & Support Audit
- Information & Technology Audit
- Stakeholder Management & Planning



**Intan Ruhaida Ramli**  
Director, Risk & Compliance

- Enterprise Risk Management
- Business Continuity Management
- Compliance
- RC Advisory



**Emilia Tee Yoke Hoong**  
Director, Sustainability

- Sustainability Strategy & Implementation
- Bursa Academy & Community Investment



**Yong Hazadurah Md Hashim**  
Group Company Secretary

- Corporate Governance & Conflicts Management
- Regulatory Secretarial & Conflicts Operations
- Corporate Secretarial & Governance Operations

\* The Chief Executive Officer also directly oversees the Business Analytics & Information Services Department and Group Corporate Legal.

# KEY SENIOR MANAGEMENT

# section 04

<b>Rosidah Baharom</b> Chief Financial Officer	Age 51	Nationality Malaysian	Gender Female	Date of Appointment 12 August 2014
<b>Academic/Professional Qualification(s):</b> <ul style="list-style-type: none"> <li>Fellow Member of Association of Chartered Certified Accountants</li> <li>Bachelor of Science (Hons) Accountancy, University of East Anglia, UK</li> </ul>		<b>Other public companies:</b> Labuan International Financial Exchange Inc		
<b>Present Directorship</b> Listed entity: Nil		<b>Working Experience:</b> <ul style="list-style-type: none"> <li>Joined Bursa Malaysia in August 1998 and has held various positions in Bursa Malaysia Group</li> </ul>		
<b>Mahdzir Othman</b> Director, Securities Market	Age 51	Nationality Malaysian	Gender Male	Date of Appointment 14 August 2017
<b>Academic/Professional Qualification(s):</b> <ul style="list-style-type: none"> <li>Bachelor of Science (Hons) in Finance, Northern Illinois University, US</li> </ul>		<b>Other public companies:</b> Malaysian Investor Relations Association Berhad (MIRA)		
<b>Present Directorship:</b> Listed entity: Nil		<b>Working Experience:</b> <ul style="list-style-type: none"> <li>Joined Bursa Malaysia in August 2017</li> </ul>		
<b>Samuel Ho Hock Guan</b> Acting Chief Executive Officer, Bursa Malaysia Derivatives Berhad	Age 49	Nationality Singaporean	Gender Male	Date of Appointment 1 February 2019
<b>Academic/Professional Qualification(s):</b> <ul style="list-style-type: none"> <li>GCE "A" levels, Certificate in Private Banking</li> </ul>		<b>Present Directorship</b> Listed entity: Nil		
		<b>Working Experience:</b> <ul style="list-style-type: none"> <li>Joined Bursa Malaysia in July 2018</li> </ul>		
<b>Tay Yu Hui</b> Director, Market Operations	Age 49	Nationality Malaysian	Gender Female	Date of Appointment 11 November 2019
<b>Academic/Professional Qualification(s):</b> <ul style="list-style-type: none"> <li>Bachelor of Arts (Hon) in Accounting &amp; Finance, Middlesex University, UK</li> </ul>		<b>Present Directorship:</b> Listed entity: Nil		
		<b>Working Experience:</b> <ul style="list-style-type: none"> <li>Joined Bursa Malaysia in November 2012 and has held various positions in Bursa Malaysia Group</li> </ul>		
<b>Ashish Jaywant Rege</b> Director, Group Technology	Age 55	Nationality Indian	Gender Male	Date of Appointment 6 January 2020
<b>Academic/Professional Qualification(s):</b> <ul style="list-style-type: none"> <li>Master of Management Studies, University of Bombay, India</li> <li>Bachelor of Engineering in Mechanical, University of Poona, India</li> </ul>		<b>Present Directorship</b> Listed entity: Nil		
		<b>Working Experience:</b> <ul style="list-style-type: none"> <li>Joined Bursa Malaysia on 6 January 2020</li> </ul>		
<b>Inderjit Singh</b> Acting Chief Regulatory Officer	Age 54	Nationality Malaysian	Gender Male	Date of Appointment 6 December 2019
<b>Academic/Professional Qualification(s):</b> <ul style="list-style-type: none"> <li>Bachelor of Business Administration, Universiti Kebangsaan Malaysia</li> </ul>		<b>Present Directorship:</b> Listed entity: Nil		
		<b>Working Experience:</b> <ul style="list-style-type: none"> <li>Joined Bursa Malaysia in September 1989 and has held various positions in Bursa Malaysia Group</li> </ul>		

Save as disclosed, the above Key Senior Management (KSM) members have no family relationship with any Director and/ or major shareholder of Bursa Malaysia, have no conflict of interest with Bursa Malaysia, have not been convicted of any offences within the past five years and have not been imposed any penalty by the relevant regulatory bodies during the financial year 2019 and/or to date.

The disclosure on the particulars of the KSM of Bursa Malaysia as at 24 February 2020, is made in compliance with the requirements under Appendix 9C of Bursa Malaysia Securities Berhad Main Market Listing Requirements.

## Our Governance

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# WHO GOVERNS US

## Datuk Shireen Ann Zaharah Muhiudeen

Chairman, Public Interest Director\* and Independent Non-Executive Director

Gender: Female

Age: 56

Nationality: Malaysian

Date of Appointment: 1 March 2019

Length of Service (as at 31 January 2020): 11 months



### Academic/Professional Qualification/Membership(s):

- Bachelor of Science in Business Administration, University of Southern California, United States
- Masters of Business Administration, Loyola Marymount University, United States

### Present Directorship(s):

Listed entity:  
Nil

### Other public companies:

Nil

### Present Appointment(s):

- Independent Non-Executive Director, Federal Land Development Authority (FELDA)
- Member, Economic Action Council

### Past Directorship(s) and/or Appointment(s):

- Founder, Managing Director and Principal Fund Manager, Corston-Smith Asset Management Sdn Bhd (2007 - 2019)
- Independent Non-Executive Director, AMMB Holdings Berhad (June 2016 - June 2019)
- Non-Independent Non-Executive Director, Apollo Food Holdings Berhad (January 2018 - October 2018)
- Independent Non-Executive Director, HSBC Bank Malaysia Berhad (December 2013 - February 2016)
- Independent Non-Executive Director, Integrax Berhad (September 2011 - June 2015)
- Chief Executive Officer, AIG Investment Corporation Malaysia (March 1992 - February 2004)

### Board Meeting Attendance in 2019:

12/12

### Board Committees Membership(s) ▲:

- Governance and Nomination Committee (Chairman)
- Remuneration Committee
- Market and Development Committee (Chairman)
- Regulatory and Conflicts Committee (Chairman)
- Appeals Committee (Chairman)

\* Appointed by the Minister of Finance pursuant to Section 10(1)(a) of the Capital Markets and Services Act 2007 (CMSA) in consultation with the Securities Commission Malaysia

# WHO GOVERNS US

## Datuk Muhamad Umar Swift

Chief Executive Officer, Non-Independent Executive Director

Gender: Male

Age: 55

Nationality:  
Australian / Permanent Resident of Malaysia

Date of Appointment:  
11 February 2019

Length of Service (as at 31 January 2020):  
11 ½ months

Date of Last Re-election:  
28 March 2019



### Academic/Professional Qualification/Membership(s):

- Bachelor of Economics, Monash University, Australia
- Graduate Diploma in Applied Finance and Investment, Securities Institute of Australia
- Associate Member, Institute of Chartered Accountants, Australia
- CPA Australia
- Fellow Member, Taxation Institute of Australia
- Fellow Member, Financial Services Institute of Australasia, Australia
- Chartered Accountant, Malaysian Institute of Accountants
- Registered Member, Malaysian Financial Planning Council

### Present Directorship(s):

Listed entity:  
• Nil

### Other public companies:

- Bursa Malaysia Berhad Group
- Securities Industry Development Corporation

### Present Appointment(s):

• Nil

### Past Directorship(s) and/or Appointment(s):

- Chief Executive Officer (CEO)/Group Managing Director, MAA Group Berhad (7 September 2006 - 8 February 2019)
- Director, Columbus Capital Pty Limited (6 October 2006 - 27 December 2018)
- Director, MAA General Assurance Philippines, Inc (26 March 2015 - 8 February 2019)
- Director, MAA International Group (10 March 2017 - 8 February 2019)

- Director, MCIS Insurance Berhad (17 October 2018 - 31 January 2019)
- Member, Board of Trustees, MAA Medicare Charitable Foundation (13 July 2006 - 8 February 2019)
- Member, Board of Trustees, The Budimas Charitable Foundation (8 April 2013 - 8 February 2019)
- Member, Board of Trustees, Anaho Foundation (18 November 2013 - 8 February 2019)
- Non-Independent Non-Executive Director, MAA Takaful Berhad (May 2007 - June 2016)
- Director, MAAKL Mutual Berhad (March 2008 - December 2013)
- Director, Federation of Investment Managers Malaysia (2012 - 2014)
- CEO, Malaysian Assurance Alliance Berhad (August 2008 - September 2011)
- Deputy CEO, Malaysian Assurance Alliance Berhad (June 2006 - July 2008)
- Head, Enterprise Financial Services Group, Malayan Banking Berhad (April 2004 - May 2006)
- Director, Mayban Allied Credit & Leasing Sdn Bhd (August 2005 - April 2006)
- Director, Mayban Ventures Sdn Bhd (2004 to December 2005)
- Practice Leader, Utilities Business, Deloitte Consulting in Malaysia (September 2003 - March 2004)
- CEO, Gas Malaysia Sdn Bhd (July 1997 - December 2002)

Board Meeting Attendance in 2019:  
13/13

Board Committees Membership(s) ▲:  
Nil

## Johari Abdul Muid

Public Interest Director\* and Independent Non-Executive Director

Gender: Male

Age: 62

Nationality:  
Malaysian

Date of Appointment:  
1 April 2016

Length of Service (as at 31 January 2020):  
3 years 10 months



### Academic/Professional Qualification/Membership(s):

- Chartered Institute of Management Accountants (Fellow Member)

### Present Directorship(s):

Listed entity:  
Nil

### Other public companies:

- Al Rajhi Banking & Investment Corporation (Malaysia) Berhad
- Bursa Malaysia Securities Berhad and its clearing house (Bursa Malaysia Securities Clearing Sdn Bhd)

### Present Appointment(s):

- Director, Nomura Asset Management Malaysia Sdn Bhd
- Director, Nomura Islamic Asset Management Malaysia Sdn Bhd

### Past Directorship(s) and/or Appointment(s):

- Director, Malaysia Debt Ventures Berhad (20 November 2015 - 19 November 2019)
- Investment Panel Member, Kumpulan Wang Amanah Pencen (20 October 2015 - 22 July 2019)
- Managing Director, RHB Bank Berhad (November 2011 - November 2013)
- Director, RHB Bank Berhad (April 2005 - July 2013)

- Director, RHB Capital Berhad (April 2005 - November 2011)
- Director, RHB Islamic Bank Berhad (January 2008 - November 2011)
- Director, RHB Investment Bank Berhad (April 2005 - January 2008)
- Deputy Chief Executive Officer, Employees Provident Fund (2007 - 2011)
- Chief Investment Officer, Employees Provident Fund (2004 - 2006)
- Chief Investment Officer, ValueCap Sdn Bhd (2003 - 2004)
- Institutional Sales, CIMB Securities Sdn Bhd (1994 - 2002)
- Treasury Division, Commerce International Merchant Bankers Berhad (1983 - 1994)
- Money Market Dealer, Asian International Merchant Bankers Berhad (1981 - 1983)

Board Meeting Attendance in 2019:  
12/14

Board Committees Membership(s) ▲:  
• Technology and Cybersecurity Committee  
• Regulatory and Conflicts Committee  
• Market Participants Committee (Chairman)

\* Appointed by the Minister of Finance pursuant to Section 10(1)(a) of the CMSA in consultation with the Securities Commission Malaysia

WHO GOVERNS US

**Datin Mariam Prudence Yusof**

Public Interest Director\* and Independent Non-Executive Director

Gender: Female  
Age: 67  
Nationality: Malaysian  
Date of Appointment: 19 February 2017  
Length of Service (as at 31 January 2020): 2 years 11 ½ months



**Academic/Professional Qualification/Membership(s):**

- BA (Hons) University of Malaya

**Present Directorship(s):**

Listed entity:

- C.I. Holdings Berhad

Other public companies:

- Bursa Malaysia Derivatives Berhad
- Bursa Malaysia Derivatives Clearing Berhad
- RAM Rating Services Berhad

**Present Appointment(s):**

- Chairman, SISMA Group of Companies
- Director, iFast Capital Sdn Bhd

**Past Directorship(s) and/or Appointment(s):**

- Executive Director, Equity Market of MIDF Amanah Investment Bank Bhd (formerly known as MIDF Sisma Securities Sdn Bhd) (1997 - 2007)
- Member, Kuala Lumpur Stock Exchange Committee (KLSE) (2002 - 2004)
- Director, Labuan International Financial Exchange Inc. (LFX) (2002 - 2004)
- Director, Securities Clearing Automated Network Services Sdn Bhd (SCANS) (2002 - 2004)

- Director, Research Institute & Investment Analyst Malaysia (RIAM) (2002 - 2004)
- Trustee, Bumiputera Training Fund of the Securities Commission (SC) (2002 - 2004)
- Chairman, Membership Committee of the KLSE (2002 - 2004)
- Chairman, Association of Stockbroking Companies of Malaysia (2002 - 2003)
- Director (Corporate Nominee), PB Securities Sdn Bhd (1990 - 1997)
- Dealer Representative, HA Securities Sdn Bhd (1984 - 1990)
- Human Resource & Organizational Development with multinational companies (1974 - 1984)

**Board Meeting Attendance in 2019:** 14/14

**Board Committees Membership(s) ▲:**

- Audit Committee
- Risk Management Committee
- Market and Development Committee
- Regulatory and Conflicts Committee

\* Appointed by the Minister of Finance pursuant to Section 10(1)(a) of the CMSA in consultation with the Securities Commission Malaysia

WHO GOVERNS US

**Pushpanathan S.A. Kanagarayar**

Independent Non-Executive Director

Gender: Male  
Age: 68  
Nationality: Malaysian  
Date of Appointment: 23 June 2014  
Length of Service (as at 31 January 2020): 5 years 7 months



Date of Last Re-election: 28 March 2018

**Academic/Professional Qualification/Membership(s):**

- Institute of Chartered Accountants of Scotland (Member)
- Malaysian Institute of Certified Public Accountants (MICPA) (Member)
- Malaysian Institute of Accountants (MIA) (Member)

**Present Directorship(s):**

Listed entities:

- IJM Corporation Berhad
- IJM Plantations Berhad

Other public companies:

- Asian Institute of Finance Berhad (In Members' Voluntary Winding-up)
- Sun Life Malaysia Assurance Berhad

**Present Appointment(s):**

- Council Member, MICPA
- Trustee, World Wildlife Fund Malaysia
- Director, Malaysian Community Education Foundation
- Chairman, Malaysian Financial Reporting Standards (MFRS) Application & Implementation Committee of the Malaysian Accounting Standards Board (MASB)
- Project Chairman, the Insurance Standards Working Group of the MASB on MFRS 17

**Past Directorship(s) and/or Appointment(s):**

- Director, Sun Life Malaysia Takaful Berhad (2010 - 2019)
- Board Member, MASB (2009 - 2015)
- Honorary Secretary, Financial Reporting Foundation (2010 - 2015)
- President, MICPA (2012 - 2014)
- Council Member, MIA (2012 - 2014)
- Partner, Messrs Ernst & Young (1983 - 2009)
- Chairman, Adjudication and/or Organising Committees, National Annual Corporate Report Awards (2003 - 2009)
- Chairman, MICPA's Financial Statements Review Committee and Project Chairman, the Insurance Standards Working Group of MASB on Financial Reporting Standard 4 (2003 - 2007)
- Member, International Federation of Accountants' Developing Nations Permanent Taskforce (2004 - 2005)

**Board Meeting Attendance in 2019:** 12/14

**Board Committees Membership(s) ▲:**

- Audit Committee (Chairman)
- Remuneration Committee
- Listing Committee (Chairman)

**Datuk Karownikaran @ Karunikaran Ramasamy**

Senior Independent Non-Executive Director

Gender: Male  
Age: 69  
Nationality: Malaysian  
Date of Appointment: 28 March 2013  
Length of Service (as at 31 January 2020): 6 years 10 months  
Date of Last Re-election: 28 March 2018



**Academic/Professional Qualification/Membership(s):**

- Bachelor of Economics (Hons) in Accounting, University of Malaya

**Present Directorship(s):**

Listed entities:

- Malayan Banking Berhad
- IOI Corporation Berhad
- Chairman, Integrated Logistics Berhad

Other public companies:

- Chairman, Etiqa International Holdings Berhad
- Chairman, Maybank Ageas Holdings Berhad

**Present Appointment(s):**

Nil

**Past Directorship(s) and/or Appointment(s):**

- Chairman, Etiqa Life Insurance Berhad (January - December 2018)
- Chairman, Etiqa General Insurance Berhad (formerly known as Etiqa Insurance Berhad) (March 2016 - December 2018)
- Chairman, Etiqa Family Takaful Berhad (formerly known as Etiqa Takaful Berhad) (2016 - 2017)
- Director, Maybank (Cambodia) PLC (2012 - 2017)

- Director, Maybank Asset Management Group Berhad (2012 - 2016)
- Director, Chemical Company of Malaysia Berhad (2011 - 2014)
- Director, Maybank Investment Bank Berhad (2009 - 2014)
- Director-General, Malaysian Investment Development Authority (MIDA) (2004 - 2008)
- Deputy Director-General, MIDA (2001 - 2003)
- Director, Industrial Promotion Division overseeing 16 MIDA overseas offices (1996 - 2000)
- Director, MIDA in Singapore, Germany and London (1978 - 1995)

**Board Meeting Attendance in 2019:** 14/14

**Board Committees Membership(s) ▲:**

- Governance and Nomination Committee
- Remuneration Committee (Chairman)
- Regulatory and Conflicts Committee
- Appeals Committee

**Datin Grace Yeoh Cheng Geok**

Independent Non-Executive Director

Gender: Female  
Age: 58  
Nationality: Malaysian  
Date of Appointment: 24 February 2017  
Length of Service (as at 31 January 2020): 2 years and 11 months  
Date of Last Re-election: 28 March 2018



**Academic/Professional Qualification/Membership(s):**

- Bachelor of Laws (Hons), London School of Economics and Political Science
- Master of Laws (LLM), University of London
- Barrister-at-Law, Middle Temple
- Advocate and Solicitor of the High Court of Malaya

**Present Directorship(s):**

Listed entity: Nil

Other public companies:

- CIMB Bank Berhad
- Bursa Malaysia Securities Berhad and its clearing house (Bursa Malaysia Securities Clearing Sdn Bhd)

**Present Appointment(s):**

- Head, Corporate and Commercial Law Practice Group, Shearn Delamore & Co.
- Head, Energy, Natural Resources & Green Technology Practice Group, Shearn Delamore & Co.
- Member, Corporate and Commercial Law Committee of the Malaysian Bar Council
- Member, Trade in Legal Services Committee of the Malaysian Bar Council

**Past Directorship(s) and/or Appointment(s):**

- Managing Partner, Shearn Delamore & Co. (2016 - 2018)
- Member, Management Committee, Shearn Delamore & Co. (2002 - 2018)

**Board Meeting Attendance in 2019:** 14/14

**Board Committees Membership(s) ▲:**

- Risk Management Committee (Chairman)
- Governance and Nomination Committee
- Listing Committee

WHO GOVERNS US

**Chong Chye Neo**

Independent Non-Executive Director

Gender: Female

Age: 57

Nationality: Malaysian

Date of Appointment: 21 December 2018

Length of Service (as at 31 January 2020): 1 year 1 month

Date of Last Re-election: 28 March 2019



**Academic/Professional Qualification/ Membership(s):**

- Bachelor of Science (Hons) in Computer Science, Universiti Sains Malaysia
- Executive Education, Harvard Business School

**Present Directorship(s):**

- Listed entities:
- Hong Leong Bank Berhad
  - Hong Leong Financial Group Berhad

**Other public companies:**

Nil

**Present Appointment(s):**

- Honorary Member, American Malaysian Chamber of Commerce

**Past Directorship(s) and/or Appointment(s):**

- Managing Director/ Chief Executive Officer, IBM Malaysia Sdn Bhd (1 October 2015 - 31 December 2018)
- Director, Kenexa Technologies Sdn Bhd (15 September 2015 - 31 December 2018)
- Director, IBM Global Delivery Centre (Malaysia) Sdn Bhd (15 September 2015 - 31 December 2018)
- Client Director, Financial Services Sector, IBM Malaysia Sdn Bhd (2014 - 2015)

- Director, Intellectual Property – ASEAN, IBM Research (2011 - 2012)
- Director, Business Partners & Alliances, IBM ASEAN (2009 - 2010)
- Director, Mid Market, IBM ASEAN/ South Asia (2007 - 2008)
- General Manager, Storage Systems Group, IBM ASEAN/ South Asia (2005 - 2006)
- Regional Leader, Marketing, IBM ASEAN (2004)
- Country Head, Enterprise Systems Group, IBM Malaysia Sdn Bhd (2002 - 2003)
- Regional Marketing Manager, Enterprise Systems Group, IBM ASEAN (2001)
- Various roles in IBM (engineering, sales, marketing and operations in Malaysia). Asia Pacific sales roles covering Japan, Korea, Greater China Group, ASEAN/ South Asia, Australia/ New Zealand (1989 - 2001)
- Software Development Engineer, Hewlett Packard Malaysia (1986 - 1989)

**Board Meeting Attendance in 2019:**

14/14

**Board Committees Membership(s) ▲:**

- Audit Committee
- Risk Management Committee
- Technology and Cybersecurity Committee (Chairman)

**Academic/Professional Qualification/ Membership(s):**

- Associate in Occupational Studies Degree, with a major in Business Administration/ Management, Central City Business Institute, Syracuse, New York

**Present Directorship(s):**

Listed entity:  
Nil

**Other public companies:**

Nil

**Present Appointment(s):**

Nil

**Past Directorship(s) and/or Appointment(s):**

- Group Chief Human Resource Officer, AMMB Holdings Berhad (2015 - 2018)
- Country Chief Human Resources Director, HSBC Malaysia (2009 - 2012)
- Country Chief Human Resource Director, Citibank Malaysia (2004 - 2009)

- General Manager, Human Resources and Corporate Communications, Mesiniaga Berhad (2001 - 2004)
- Head, Human Resources, Mesiniaga Berhad (1995 - 2000)
- Training and Development Manager, Mesiniaga Sdn Berhad (1994 - 1995)
- Sales and Marketing Manager - Mid-range System, Mesiniaga Sdn Berhad (1993 - 1994)
- Various IT and Technology roles at Mesiniaga Sdn Bhd (1982 - 1993)
  - o Systems Engineering and Support Manager
  - o Systems Engineer
  - o Product Support
  - o Programmer

**Board Meeting Attendance in 2019:**

3/3

**Board Committees Membership(s) ▲:**

- Governance and Nomination Committee
- Remuneration Committee
- Technology and Cybersecurity Committee

**Uji Sherina Abdullah**

Independent Non-Executive Director

Gender: Female

Age: 58

Nationality: Malaysian

Date of Appointment: 18 November 2019

Length of Service (as at 31 January 2020): 2 ½ months



**Academic/Professional Qualification/ Membership(s):**

- Bachelor of Science (Hons) in Computer Science, Universiti Sains Malaysia
- Executive Education, Harvard Business School

**Present Directorship(s):**

- Listed entities:
- Hong Leong Bank Berhad
  - Hong Leong Financial Group Berhad

**Other public companies:**

Nil

**Present Appointment(s):**

- Honorary Member, American Malaysian Chamber of Commerce

**Past Directorship(s) and/or Appointment(s):**

- Managing Director/ Chief Executive Officer, IBM Malaysia Sdn Bhd (1 October 2015 - 31 December 2018)
- Director, Kenexa Technologies Sdn Bhd (15 September 2015 - 31 December 2018)
- Director, IBM Global Delivery Centre (Malaysia) Sdn Bhd (15 September 2015 - 31 December 2018)
- Client Director, Financial Services Sector, IBM Malaysia Sdn Bhd (2014 - 2015)

- Director, Intellectual Property – ASEAN, IBM Research (2011 - 2012)
- Director, Business Partners & Alliances, IBM ASEAN (2009 - 2010)
- Director, Mid Market, IBM ASEAN/ South Asia (2007 - 2008)
- General Manager, Storage Systems Group, IBM ASEAN/ South Asia (2005 - 2006)
- Regional Leader, Marketing, IBM ASEAN (2004)
- Country Head, Enterprise Systems Group, IBM Malaysia Sdn Bhd (2002 - 2003)
- Regional Marketing Manager, Enterprise Systems Group, IBM ASEAN (2001)
- Various roles in IBM (engineering, sales, marketing and operations in Malaysia). Asia Pacific sales roles covering Japan, Korea, Greater China Group, ASEAN/ South Asia, Australia/ New Zealand (1989 - 2001)
- Software Development Engineer, Hewlett Packard Malaysia (1986 - 1989)

**Board Meeting Attendance in 2019:**

14/14

**Board Committees Membership(s) ▲:**

- Audit Committee
- Risk Management Committee
- Technology and Cybersecurity Committee (Chairman)

**Academic/Professional Qualification/ Membership(s):**

- Associate in Occupational Studies Degree, with a major in Business Administration/ Management, Central City Business Institute, Syracuse, New York

**Present Directorship(s):**

Listed entity:  
Nil

**Other public companies:**

Nil

**Present Appointment(s):**

Nil

**Past Directorship(s) and/or Appointment(s):**

- Group Chief Human Resource Officer, AMMB Holdings Berhad (2015 - 2018)
- Country Chief Human Resources Director, HSBC Malaysia (2009 - 2012)
- Country Chief Human Resource Director, Citibank Malaysia (2004 - 2009)

- General Manager, Human Resources and Corporate Communications, Mesiniaga Berhad (2001 - 2004)
- Head, Human Resources, Mesiniaga Berhad (1995 - 2000)
- Training and Development Manager, Mesiniaga Sdn Berhad (1994 - 1995)
- Sales and Marketing Manager - Mid-range System, Mesiniaga Sdn Berhad (1993 - 1994)
- Various IT and Technology roles at Mesiniaga Sdn Bhd (1982 - 1993)
  - o Systems Engineering and Support Manager
  - o Systems Engineer
  - o Product Support
  - o Programmer

**Board Meeting Attendance in 2019:**

3/3

**Board Committees Membership(s) ▲:**

- Governance and Nomination Committee
- Remuneration Committee
- Technology and Cybersecurity Committee

WHO GOVERNS US

**Professor Joseph Cherian**

Independent Non-Executive Director

Gender: Male

Age: 57

Nationality: Malaysian

Date of Appointment: 1 January 2020



**Academic/Professional Qualification/ Membership(s):**

- Bachelor of Science in Electrical Engineering, Massachusetts Institute of Technology, Cambridge, Massachusetts
- Master of Science in Finance, Cornell University, Ithaca, New York
- Ph.D. in Finance, Cornell University, Ithaca, New York

**Present Directorship(s):**

Listed entity:  
Nil

**Other public companies:**

Nil

**Present Appointment(s):**

- Practice Professor of Finance, National University of Singapore Business School
- Emeritus Member, Johnson Graduate School of Management's Dean's Advisory Council, Cornell University
- Member, Steering Committee, Melbourne Mercer Global Pension Index (MMGPI), Australia
- Member, Scientific Advisory Board, Nipun Capital, LP, United States of America
- Member, Singapore National Eye Centre (SNEC)/Singapore Eye Research Institute (SERI) Medical Director's Advisory Council, Singapore
- Member, Scientific Advisory Board, Xen Technologies Pte Ltd, Singapore

**Past Directorship(s) and/or Appointment(s):**

- Founder Director, Centre for Asset Management Research & Investments, National University of Singapore Business School (August 2009 - October 2019)
- Member, Academic Research Council, United Nations Development Programme (UNDP) Social Impact Fund (September 2017 - July 2018)
- Member, Central Provident Fund (CPF) Advisory Panel, Ministry of Manpower, Singapore (September 2014 - August 2016)
- Member, Early Stage Venture Fund Evaluation Panel, National Research Foundation, Prime Minister's Office, Singapore (September 2013 - April 2014)
- Executive-in-Residence, Johnson Graduate School of Management, Cornell University (2008 - 2009)
- Managing Director, Global Head and Chief Investment Officer, Quantitative Strategies Group, Credit Suisse Asset Management, New York (2004 - 2008)
- Managing Director, Banc of America Capital Management, New York and Senior Portfolio Manager of their asset allocation funds (2000 - 2004)
- Associate Professor of Finance, Questrom School of Business, Boston University, Boston (1993 - 2001)
- Visiting Lecturer in Finance, Johnson Graduate School of Management, Cornell University, New York (1992)

**Board Meeting Attendance in 2019:**

Nil

**Board Committees Membership(s) ▲:**

- Risk Management Committee
- Market and Development Committee

▲ The Directors' meeting attendance record for 2019 is provided in the Corporate Governance Overview on page 90 of this report.

Save as disclosed, the above Directors have no family relationship with any Director and/or major shareholder of Bursa Malaysia, have no conflict of interest with Bursa Malaysia, have not been convicted of any offence within the past five years and have not been imposed any penalty by the relevant regulatory bodies during the financial year 2019 and/or to date.

Save for the Chief Executive Officer and Executive Director, all the Non-Executive Directors satisfy the criteria of an independent director as defined under Bursa Malaysia Securities Berhad Main Market Listing Requirements, which include being independent of management, free from any business or other relationship which could interfere with the exercise of independent judgement, objectivity or the ability to act in the best interests of the Company, and also being independent of its major shareholders.

# CORPORATE STRUCTURE

**100%** **Bursa Malaysia Securities Berhad**  
 Reg. No: 200301033577 (635998-W)  
 Date of Incorporation : 4 December 2003  
 Principal Activities : Provides, operates and maintains a securities exchange

**100%** **Bursa Malaysia Derivatives Berhad**  
 Reg. No: 199301007200 (261937-H)  
 Date of Incorporation : 17 April 1993  
 Principal Activities : Provides, operates and maintains a derivatives exchange

**100%** **Labuan International Financial Exchange Inc**  
 Company No: LL02032  
 Date of Incorporation : 30 July 1999  
 Principal Activities : Provides, operates and maintains an offshore financial exchange

**100%** **Bursa Malaysia Securities Clearing Sdn Bhd**  
 Reg. No: 198301014323 (109716-D)  
 Date of Incorporation : 12 November 1983  
 Principal Activities : Provides, operates and maintains a clearing house for the securities exchange

**100%** **Bursa Malaysia Depository Sdn Bhd**  
 Reg. No: 198701006854 (165570-W)  
 Date of Incorporation : 26 October 1987  
 Principal Activities : Provides, operates and maintains a central depository for securities listed on the securities exchange

**100%** **Bursa Malaysia Information Sdn Bhd**  
 Reg. No: 198601003802 (152961-H)  
 Date of Incorporation : 2 May 1986  
 Principal Activities : Compiles, provides and disseminates prices and other information relating to securities quoted on the securities and derivatives exchanges within the Group as well as data reported from the bond platform

**100%** **Bursa Malaysia Bonds Sdn Bhd**  
 Reg. No: 199401033782 (319465-T)  
 Date of Incorporation : 11 October 1994  
 Principal Activities : Provides, operates and maintains an electronic trading platform for the bond market

**100%** **Bursa Malaysia Islamic Services Sdn Bhd**  
 Reg. No: 200901010654 (853675-M)  
 Date of Incorporation : 15 April 2009  
 Principal Activities : Provides, operates and maintains a Shariah-compliant commodity trading platform

**100%** **Wholly-owned subsidiary of Bursa Malaysia Derivatives Berhad**

**Bursa Malaysia Derivatives Clearing Berhad**  
 Reg. No: 199501029471 (358677-D)  
 Date of Incorporation : 9 September 1995  
 Principal Activities : Provides, operates and maintains a clearing house for the derivatives exchange

**100%** **Wholly-owned subsidiary of Bursa Malaysia Depository Sdn Bhd**

**Bursa Malaysia Depository Nominees Sdn Bhd**  
 Reg. No: 199201008794 (240297-W)  
 Date of Incorporation : 15 May 1992  
 Principal Activities : Acts as a nominee for Bursa Malaysia Depository and receives securities on deposit or for safe-custody or management

**Public Company Limited by Guarantee**  
**Yayasan Bursa Malaysia**  
 Reg. No: 199801008425 (464552-M)

Date of Incorporation : 24 June 1998  
 Principal Activities : Provides funds or support to Malaysian individuals and organisations by way of scholarships, grants, donations and other forms of financial assistance for educational, research and charitable purposes

# OTHER CORPORATE INFORMATION

**Senior Independent Non-Executive Director**  
 Datuk Karownikaran @ Karunakaran Ramasamy  
 Tel : 03-2297 2101  
 E-mail : karu.kr@gmail.com

**Company Secretaries**  
 Yong Hazadurah Md. Hashim  
 LS0006674

Hong Soo Yong, Suzanne  
 MAICSA 7026744

**Registered Office**  
 15<sup>th</sup> Floor, Exchange Square  
 Bukit Kewangan, 50200 Kuala Lumpur  
 Tel : 03-2034 7000  
 Fax : 03-2732 6437  
 E-mail : enquiries@bursamalaysia.com  
 Web : www.bursamalaysia.com

**Form of Legal Entity**  
 Incorporated on 14 December 1976 as a public company limited by guarantee. Converted to a public company limited by shares on 5 January 2004 pursuant to the Demutualisation (Kuala Lumpur Stock Exchange) Act 2003

**Stock Exchange Listing**  
 Listed on Main Board of Bursa Malaysia Securities Berhad on 18 March 2005  
 Stock Code : 1818  
 Stock Name : BURSA

**Customer Service**  
 Bursa Malaysia Berhad  
 Registration No. 197601004668 (30632-P)  
 LG Floor, Exchange Square  
 Bukit Kewangan, 50200 Kuala Lumpur  
 Tel : 03-2026 5099  
 Fax : 03-2026 4122  
 E-mail : customerservice@bursamalaysia.com

**Investor Relations**  
 Rasmona Abdul Rahman  
 13<sup>th</sup> Floor, Exchange Square  
 Bukit Kewangan, 50200 Kuala Lumpur  
 Tel : 03-2034 7175  
 Fax : 03-2026 3687  
 E-mail : ir@bursamalaysia.com

**Registrar**  
 Tricor Investor & Issuing House Services Sdn Bhd  
 Registration No. 197101000970 (11324-H)  
 Unit 32-01, Level 32, Tower A  
 Vertical Business Suite  
 Avenue 3, Bangsar South  
 No. 8, Jalan Kerinchi  
 59200 Kuala Lumpur  
 Tel : 03-2783 9299  
 Fax : 03-2783 9222  
 E-mail : is.enquiry@my.tricorglobal.com  
 Web : www.tricorglobal.com

Tricor's Customer Service Centre  
 Unit G-3, Ground Floor, Vertical Podium  
 Avenue 3, Bangsar South  
 No. 8, Jalan Kerinchi  
 59200 Kuala Lumpur

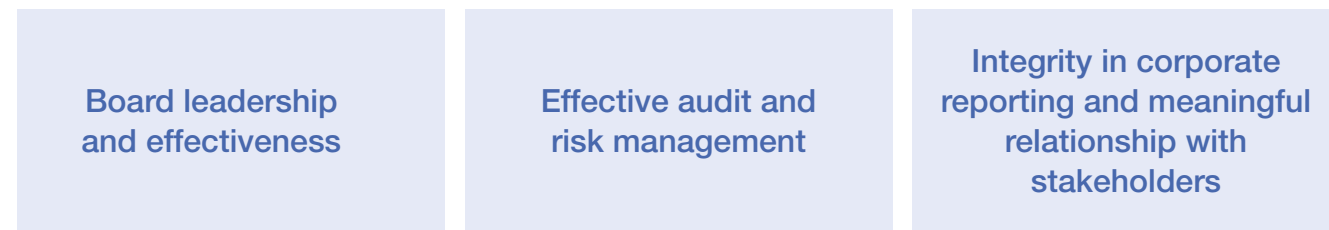
**Auditors**  
 Ernst & Young PLT  
 Registration No. 202006000003 (LLP0022760-LCA) & AF 0039  
 Chartered Accountants  
 Level 23A, Menara Milenium  
 Jalan Damanlela  
 Pusat Bandar Damansara  
 50490 Kuala Lumpur

**Principal Bankers**  
 CIMB Bank Berhad  
 Registration No. 197201001799 (13491-P)  
 5<sup>th</sup> Floor, Bangunan CIMB  
 Jalan Semantan  
 Damansara Heights  
 50490 Kuala Lumpur

Malayan Banking Berhad  
 Registration No. 196001000142 (3813-K)  
 Menara Maybank  
 100, Jalan Tun Perak  
 50050 Kuala Lumpur

# CORPORATE GOVERNANCE OVERVIEW

The Board of Directors of Bursa Malaysia Berhad (“Bursa Malaysia” or “the Company”) presents this statement to provide shareholders and investors with an overview of the corporate governance (“CG”) practices of the Company under the leadership of the Board during the financial year 2019. This overview takes guidance from the three (3) key CG principles as set out in the Malaysian Code on Corporate Governance (“MCCG”), which are:



This statement is prepared in compliance with Bursa Malaysia Securities Berhad Main Market Listing Requirements (“MMLR”)<sup>1</sup> and it is to be read together with the CG Report 2019 of the Company (“CG Report”) which is available on the Company’s website. The CG Report provides the details on how the Company has applied each Practice as set out in the MCCG during the financial year 2019.

[The CG Report is available at https://www.bursamalaysia.com/about\\_bursa/about\\_us/corporate\\_governance/cg\\_report](https://www.bursamalaysia.com/about_bursa/about_us/corporate_governance/cg_report)

## Embracing The CG Culture

In building a sustainable business and discharging its regulatory role, the Board is mindful of its accountability to the shareholders and various stakeholders of Bursa Malaysia. Towards this, the Board is committed to ensuring that it provides effective leadership and promotes uncompromising ethical standards in the organisation. One of the ways in which the Board achieves this is by requiring that good governance principles and practices are adhered to throughout the Company.

To ensure the Company continues to adopt the best CG practices, the Board conducts annual reviews of its practices with reference to the MCCG, the relevant guidelines issued by the authorities or regulators as well as international standards on CG. In 2019, the Board considered the gap analysis report prepared by the CG & Secretarial Department, to determine the Company’s level of adherence to the CG standards. In conjunction with this exercise, the Board also considered the outcome of the benchmarking studies on the trends and practices among the relevant listed exchanges around the world in relation to CG and conflicts management with the view to identify areas for enhancement and the action plan to further raise the bar in the organisation’s CG standards through various measures for implementation during the year. The action plan which includes reviewing the Governance Model, internal CG practices and processes as well as the setting of certain timelines in the CG activities, were amongst the Board’s key focus areas in relation to CG for the year.

As at 31 December 2019, Bursa Malaysia complied in all material aspects with the principles as set out in the MCCG. The Company also adopted all the 36 recommended practices in the MCCG including the four (4) Step-up practices. A summary of the CG practices of Bursa Malaysia as well as the Board’s key focus areas and its future priorities in relation to the CG practices are described under each CG principle, as below.

<sup>1</sup> Compliance with paragraphs 15.08A(3) and 15.25 as well as Practice Note 9 of MMLR on the preparation of Nomination Committee statement and Disclosure of CG related Information

# CORPORATE GOVERNANCE OVERVIEW

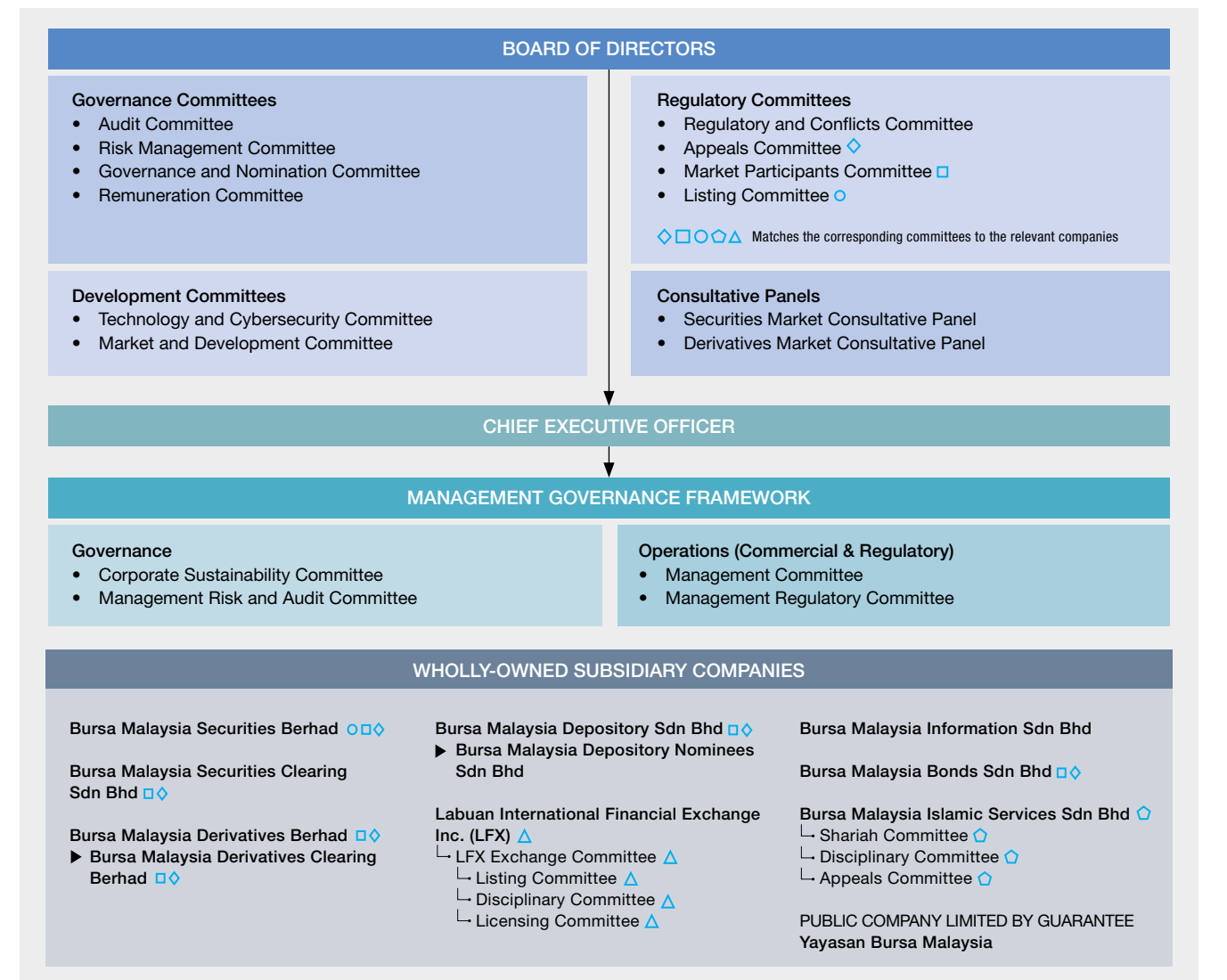
## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

### I. Board Responsibilities

The Board is always mindful of its responsibilities to the Company’s shareholders and various stakeholders for creating and delivering sustainable value and long-term success through its leadership and management of the Company’s businesses, in pursuing the commercial and regulatory objectives and goals of Bursa Malaysia.

To this end, the Board determines the strategic objectives and policies of the Group for delivery of such long-term value. It ensures effective leadership through oversight on management and robust monitoring of the activities, performance, conformance capabilities and control in the organisation. In setting the strategic direction, the Board also ensures that there is an appropriate balance between promoting long-term growth and delivering short-term objectives, having regard to the public interest responsibilities of Bursa Malaysia as an Exchange Holding Company (“EHC”)<sup>2</sup>.

In order to ensure orderly and effective discharge of the above functions and responsibilities of the Board, the Board has in place a Governance Model for the Group where specific powers of the Board are delegated to the relevant Board Committees and the Chief Executive Officer (“CEO”), as depicted below.



<sup>2</sup> Bursa is an EHC approved under Section 15 of the Capital Markets and Services Act 2007

## CORPORATE GOVERNANCE OVERVIEW

The members of the Governance, Development and Regulatory Committees as well as Functional Boards have discharged their roles and responsibilities in 2019, through their attendance at the meetings of the Group as set out in the table below:

Name	*Board of Directors		Governance Committees					Development Committees		Regulatory Committees			Subsidiaries of Bursa Malaysia			
	AC [a]	NED [a]	RMC	NRC [b]	GNC [b]	RC [b]	TCC [c]	MDC [c]	RACC	LC	MPC	APC	BMS	BMSC	BMD	BMDC
<b>Public Interest and Independent Non-Executive Directors</b>																
Tan Sri Amirsham A Aziz [1]	2/2	2/2							1/1			2/2				
Datuk Shireen Ann Zaharah Muhiudeen (Chairman) [2]	12/12	8/8			7/7	3/3		-	5/5			3/3				
Johari Abdul Mulid [3]	12/14	8/10			5/5			2/2			3/3		4/4	5/5		
Datin Mariam Prudence Yusof [4]	14/14	10/10	6/6	6/6				-	5/6						4/4	4/4
<b>Independent Non-Executive Directors</b>																
Datuk Karunakaran @ Karunakaran a/l Ramasamy [5]	14/14	10/10			5/5	7/7	3/3					5/5				
Datuk Chay Wai Leong [6]	3/3	3/3	1/1	1/1											1/1	1/1
Ghazali Haji Darman [7]	3/3	3/3	1/1	1/1							1/1					
Pushpanathan a/l S.A. Kanagarayar [8]	12/14	10/10	6/6	5/5			3/3				9/9					
Datin Grace Yeoh Cheng Geok [9]	14/14	10/10		6/6	5/5	7/7					-		4/4	5/5		
Chong Chye Neo [10]	14/14	10/10	5/5	5/5				2/2								
Uji Sherina Abdullah [11]	3/3	1/1				3/3	2/2	1/1								
Professor Joseph Cherian [12]	-	-														
<b>Non-Independent Executive Director</b>																
Datuk Muhamad Umar Swift (CEO) [13]	13/13	-						2/2					4/4	5/5	4/4	4/4
Datuk Seri Tajuddin Atan [14]	1/1	-											0	0	0	0
<b>Non-Executive Directors of Subsidiaries</b>																
Mazidah Abdul Malik													4/4	5/5		
Kuok Wee Kiat													4/4	5/5		
William Francis Herder															4/4	4/4
Christopher Lee Fix [15]															4/4	4/4
<b>Independent individuals with significant and relevant industry experience</b>																
Dr. Reto Gruenfelder [16]								1/1								
Yon See Ting											7/9					
Salwah Abdul Shukor											8/9					
Prof. Dr. Aiman @ Nariman Mohd Sulaiman											7/9					
Dato' Feizal Mustapha											8/9					
Lee Kha Loon											9/9					
Hijah Arifakh Othman											9/9					
Jalalullail Othman											8/9					
Iskandar Abdullah @ Sim Kia Mlang											9/9					
Khoo Guan Huat											3/3					
Dato' Abdul Shukor Ahmad											3/3					
Dato' Dr. Zaha Rina Zahari [17]											1/1					
Dato' Wan Asmadi Wan Ahmad											3/3					
Dr. Chung Tin Fah											3/3					
Raymond Tang Chee Kin											2/3					
Tai Siew Moi											3/3					
Chew Sing Guan											3/3					
Cheah Tek Kuang												4/5				
Kuok Wee Kiat												5/5				
Ooi Giap Ch'ng												5/5				
Datuk Seri Dr. Nik Norzrul Thani Nik Hassan Thani												4/5				
Dato' Azmi Mohd Ali												5/5				
Datuk Dr. Prasad Sandhosam Abraham [18]												4/4				
<b>Total number of meetings for 2019</b>	<b>14</b>	<b>10</b>	<b>6</b>	<b>6</b>	<b>5</b>	<b>7</b>	<b>3</b>	<b>2</b>	<b>-</b>	<b>6</b>	<b>9</b>	<b>3</b>	<b>5</b>	<b>4</b>	<b>5</b>	<b>4</b>

Chairman	AC	Audit Committee	TCC	Technology and Cybersecurity Committee	APC	Appeals Committee
Member	RMC	Risk Management Committee	MDC	Market and Development Committee	BMS	Bursa Malaysia Securities Berhad
Non-member	NRC	Nomination and Remuneration Committee	RACC	Regulatory and Conflicts Committee	BMSC	Bursa Malaysia Securities Clearing Sdn Bhd
	GNC	Governance and Nomination Committee	LC	Listing Committee	BMD	Bursa Malaysia Derivatives Berhad
	RC	Remuneration Committee	MPC	Market Participants Committee	BMDC	Bursa Malaysia Derivatives Clearing Berhad

### Notes:

- [1] Retired as Public Interest Director (PID) and Chairman of the Board of Bursa Malaysia upon expiry of his term of appointment on 28 February 2019, and therefore ceased to be RACC Chairman and APC Chairman with effect from (w.e.f.) 1 March 2019
- [2] Appointed as PID and Chairman of the Board of Bursa Malaysia, RACC Chairman and APC Chairman w.e.f. 1 March 2019, GNC Chairman and RC member w.e.f. 1 July 2019, and MDC Chairman w.e.f. 1 January 2020
- [3] Ceased to be NRC member upon expiry of the term of appointment on 30 June 2019, and appointed as TCC member w.e.f. 1 July 2019. \* Attended 8/9 scheduled Board meetings and 4/5 special Board meetings
- [4] Appointed as MDC member w.e.f. 1 January 2020
- [5] Ceased to be NRC Chairman upon expiry of the term of appointment on 30 June 2019, and appointed as GNC member and RC Chairman w.e.f. 1 July 2019
- [6] Retired as Independent Non-Executive Director (INED) at the close of the 42<sup>nd</sup> Annual General Meeting (AGM) held on 28 March 2019, and therefore ceased to be AC member and RMC Chairman w.e.f. 28 March 2019. Also retired as Director of BMD and BMDC w.e.f. 29 March 2019
- [7] Retired as INED at the close of the 42<sup>nd</sup> AGM held on 28 March 2019, and therefore ceased to be a member of the AC, RMC and MPC w.e.f. 28 March 2019
- [8] Ceased to be NRC member upon expiry of the term of appointment on 30 June 2019, and appointed as RC member w.e.f. 1 July 2019. \* Attended 9/9 scheduled Board meetings and 3/5 special Board meetings
- [9] Re-designated from member to Chairman of RMC w.e.f. 1 April 2019, ceased to be NRC member upon expiry of the term of appointment on 30 June 2019, and appointed as GNC member w.e.f. 1 July 2019. Also appointed as LC member w.e.f. 1 January 2020
- [10] Appointed as a member of the AC and RMC w.e.f. 28 March 2019, and TCC Chairman w.e.f. 1 July 2019
- [11] Appointed as INED, and a member of the GNC, RC and TCC w.e.f. 18 November 2019
- [12] Appointed as INED, and a member of the RMC and MDC w.e.f. 1 January 2020
- [13] Appointed as CEO/Non-Independent Executive Director w.e.f. 11 February 2019, and appointed as TCC member from 1 July 2019 to 31 December 2019. Also appointed as Director of BMS, BMSC, BMD and BMDC w.e.f. 11 February 2019
- [14] Retired as CEO/Non-Independent Executive Director w.e.f. 11 February 2019, and resigned as Director of BMS, BMSC, BMD and BMDC w.e.f. 11 February 2019. There was no Board meeting of BMS, BMSC, BMD and BMDC between 1 January 2019 and 10 February 2019
- [15] Resigned as Director of BMD and BMDC w.e.f. 6 December 2019
- [16] Appointed as TCC member w.e.f. 1 December 2019
- [17] Resigned as MPC member on 31 May 2019 after serving for 4 years and 11 months since 1 July 2014
- [18] Appointed as APC member w.e.f. 1 February 2019
- \* There were 9 scheduled and 5 special Board meetings in 2019
- [a] 10 Non-Executive Directors (NED) sessions were held in 2019 i.e. on 30 January 2019, 21 February 2019, 21 March 2019, 29 April 2019, 19 June 2019, 1 August 2019, 26 August 2019, 30 September 2019, 29 October 2019 and 6 December 2019
- [b] Two private meetings were held between the AC and the external auditors, Ernst & Young i.e. on 28 January 2019 and 22 October 2019 respectively
- [c] GNC and RC were established in place of the NRC w.e.f. 1 July 2019
- [d] TCC and MDC are classified as Development Committees under the new Governance Model of Bursa Malaysia. Members of TCC were appointed w.e.f. 1 July 2019, and members of MDC were appointed w.e.f. 1 January 2020. Hence, there was no MDC meeting in 2019

## CORPORATE GOVERNANCE OVERVIEW

The Governance Model is supported by the Corporate Authority Manual (“CAM”), which clearly delineates relevant matters and applicable limits, including those reserved for the Board’s approval, and those which the Board may delegate to the Board Committees, the CEO and Management. Key matters reserved for the Board’s approval include the annual business plan and budget, dividend policy, business continuity plan, new issues of securities, business restructuring, expenditure above a certain pre-determined limit, disposals of significant fixed assets and the acquisition or disposal of companies within the Group. The Governance Model and the CAM are reviewed as and when required, to ensure an optimum structure for efficient and effective decision-making in the organisation.

In this respect, a comprehensive review of the Governance Model was conducted in 2019 with the view to further strengthen the internal governance, conflicts management and development processes within the organisation. This review was conducted by the Board having regard to the Group’s vision and its challenges in the rapidly evolving capital market landscape. In June 2019, the Board approved the new Governance Model which includes the establishment of:

- two (2) Governance Committees, which are the Governance and Nomination Committee (“GNC”) and Remuneration Committee (“RC”) in place of the previous Nomination and Remuneration Committee (“NRC”);
- two (2) Development Committees which are the Technology and Cybersecurity Committee (“TCC”) and Market and Development Committee (“MDC”); and
- two (2) Consultative Panels for the Securities Market and the Derivatives Market.

In fostering a strong CG culture in the organisation, the Board has always strived for the highest standard of CG practice in the Company and adopting the same as a “way of life” in every aspect of the organisation. The Chairman leads the Board by setting the tone at the top, and managing the Board effectiveness by focusing on strategy, governance and compliance. In 2019, the Chairman continued the practice of conducting the

Non-Executive Directors (“NEDs”) session prior to or after a Board meeting, to allow discussion on any issues raised by the NEDs and/or issues from the Management, as may be shared by the Chairman with the other NEDs. The positions of the Chairman and CEO are held by different individuals with clear and distinct roles which are formally documented in the Board Charter of Bursa Malaysia (“Board Charter”). The Board Charter is a comprehensive reference document for Directors on matters relating to the Board and its processes. The Board Charter also sets out the roles and responsibilities of the Board, the individual Directors as well as the Senior Independent Director.

In December 2019, the Board also reviewed and approved the amendments to the Board Charter for consistency with the new Governance Model of Bursa Malaysia. The Board through its GNC reviewed the proposed Code of Conduct and Business Ethics which was intended to strengthen the integrity, governance and anti-corruption framework for Bursa Malaysia. This is to ensure that good standards of behaviour permeate throughout all levels of the Group, and would help to prevent misconduct and unethical practices and consequently, will support the delivery of long-term sustainable success of the Company. Additionally, Bursa Malaysia also has in place the Code of Conduct and Ethics as well as the Whistleblower Policy and Procedures for its Directors and Employees which are implemented to enable the exposure of any violations or improper conduct or wrongdoing within the Company. The aforesaid Board Charter, Code of Conduct and Ethics and Whistleblower Policy and Procedures can be found at Bursa Malaysia’s website:

[https://www.bursamalaysia.com/about\\_bursa/about\\_us/corporate\\_governance/board\\_charter](https://www.bursamalaysia.com/about_bursa/about_us/corporate_governance/board_charter)

The Board members have full access to the two (2) Company Secretaries (both have legal qualifications and are qualified to act as company secretary under the Companies Act 2016 (“CA”)) who provide advisory services to the Board, particularly on corporate administrative and governance issues including compliance to the relevant rules/ procedures, laws and regulatory requirements.

CORPORATE GOVERNANCE OVERVIEW

II. Board Composition

As at 31 December 2019, the Board comprised eight (8) Independent NEDs and one (1) Executive Director who was also the CEO of the Company. Of the nine (9) Directors on the Board, five (5) were women.

Section 10 of the Capital Markets and Services Act 2007 (“CMSA”) provides that one-third of the Board shall comprise Public Interest Directors (“PIDs”) who are appointed by the Minister of Finance in consultation with the Securities Commission Malaysia (“SC”) and that the Chairman of the Board shall be a PID. In this respect, Datuk Shireen Ann Zaharah Muhiudeen was appointed as the new Chairman of the Board effective 1 March 2019 following the retirement of Tan Sri Amirsham A. Aziz on 28 February 2019. A handover meeting was held on 26 February 2019 between the new and former Chairmen of Bursa Malaysia. An induction program was organised for the new Chairman in six (6) sessions, the first session on 18 February 2019 and the other five (5) sessions in April 2019.

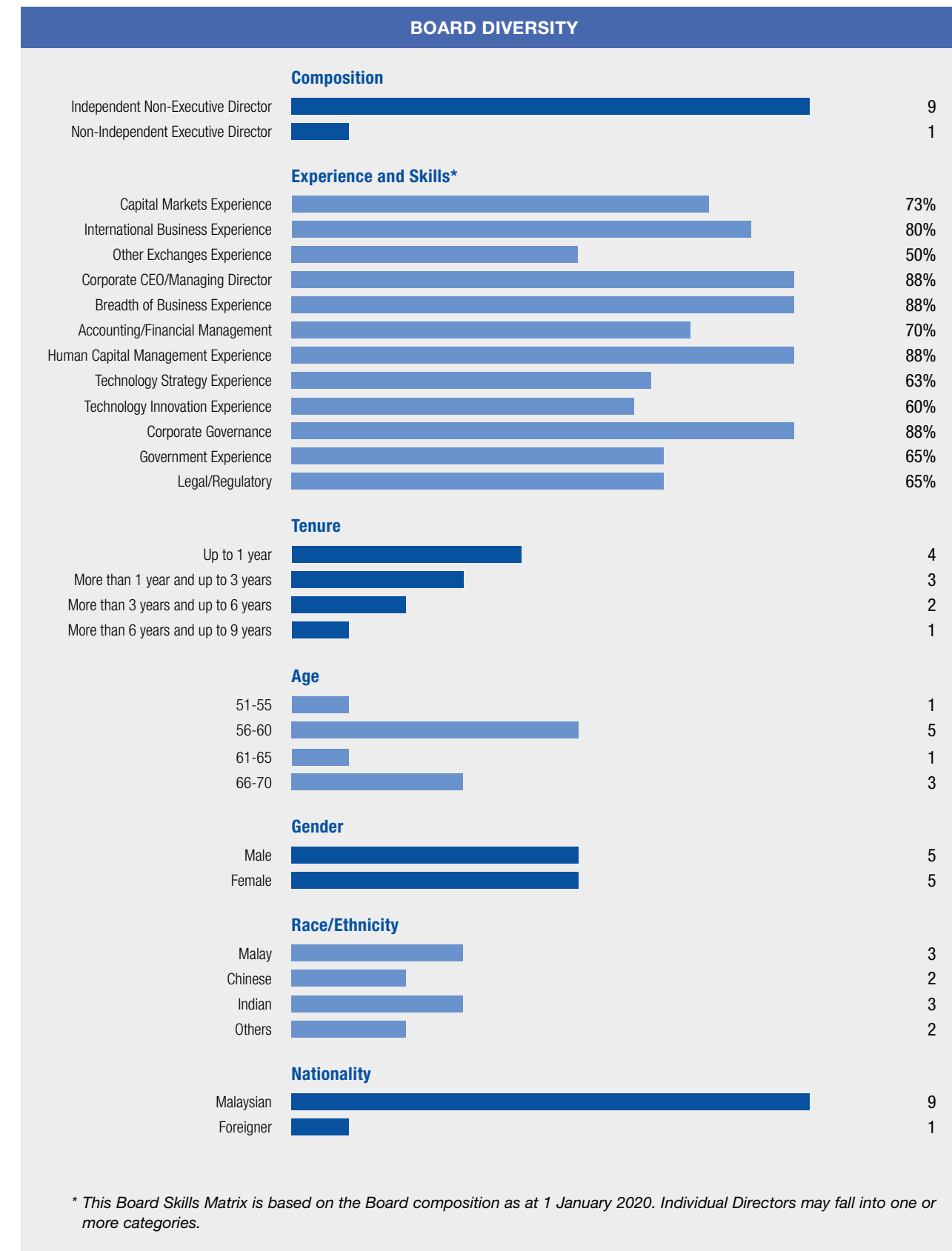
In February 2019, the Board completed the implementation of its CEO succession and transition plan which saw the appointment of Datuk Muhamad Umar Swift as the new CEO and Executive Director of the Company effective 11 February 2019, to replace Datuk Seri Tajuddin Atan who retired on 10 February 2019. The transition process was carried out in a structured manner to ensure the effective and smooth handover of the function to the new CEO, with no disruption to the operations of the organisation. The induction program for the new CEO was conducted in two (2) sessions on 10 and 22 January 2019.

The Board through its NRC/GNC conducts an annual review of its size and composition, to determine if the Board has the right size and sufficient diversity with independence elements that fit the Company’s objectives and strategic goals. In this respect, the Board has in place a Board 9-year policy for its NEDs, to enable the Board’s continuous refreshment, to maintain its effectiveness. In December 2019, the Board revised its Diversity Policy from “aiming to achieve a target of 30% women directors” to “maintaining at least 30% women directors” on the Board. The above policies are currently set out in the Board Charter.

Based on the review of the Board composition in 2019, the Board agreed to maintain the optimum Board size at 12 as this size would enable effective oversight and delegation of responsibilities by the Board, taking into account the integrated regulatory and commercial objectives of Bursa Malaysia. The Board had also agreed on the selection criteria for the proposed new Directors on the Board taking into consideration the appropriate mix of skills, experience and strength in qualities which would be relevant for the Board to ensure it is equipped to meet the shifting competitive landscape and technological changes faced by the Group, with reference to the Company’s objectives and strategic goals. During the year, the GNC had actively carried out the Board recruitment exercise, and was mindful of the need to achieve diversity in the aspects of ethnicity, age and gender in shortlisting the potential candidates which were obtained from internal as well as external independent sources. Further to this, Puan Uji Sherina Abdullah and Professor Joseph Cherian were appointed as Independent NEDs of Bursa Malaysia on 18 November 2019 and 1 January 2020, respectively after obtaining the concurrence of the SC in accordance with Section 10 of the CMSA. With the latest appointment, the Board size had increased from nine (9) to 10 members with 50% women representation on the Board. As the Board size still falls short of the optimum number, this pursuit will continue to be a priority on the Board and GNC agenda in 2020.

CORPORATE GOVERNANCE OVERVIEW

As at 1 January 2020, the Board Diversity for Bursa Malaysia is depicted in the charts below.



CORPORATE GOVERNANCE OVERVIEW

The Board through the NRC/GNC, conducts the annual assessment on effectiveness of the Board, the Board Committees and the individual Directors of the Company. In 2019, the GNC had conducted the Board Effectiveness Evaluation (“BEE”) exercise internally and facilitated by the Company Secretaries for the period from 1 July 2018 to 30 June 2019 (“2018/2019”). The BEE 2018/2019 questionnaires were issued to the Board/ Committee members and the 360 degrees questionnaires were issued to the Senior Management in July 2019 respectively. The results of the BEE 2018/2019 indicated that the performance of the Board, the Board Committees, the individual Directors and Members of the Board Committees during the review period had been satisfactory and therefore, they had been effective in their overall discharge of functions, roles and duties. Also, there was no apparent weaknesses or shortcomings identified that warrant specific action plan to address the same. Nevertheless, based on the findings in the BEE 2018/2019, the Board recognised that continued focus and priorities needs to be given to the following areas during 2020:

- Innovation and product developments;
- Human capital development and succession management;
- Technology development; and
- Investor relations / shareholders communication.

The details on the activities of the NRC in the first half of 2019 and the GNC in the second half of 2019 are described in the CG Report. It embraces Principle A of the MCCG in relation to the Board composition.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit Committee

The Audit Committee of the Company (“AC”) comprises three (3) Independent NEDs and one of whom is also a PID. The AC is chaired by an Independent NED, Mr. Pushpanathan a/l S.A. Kanagarayar. It is required under the Terms of Reference of AC for a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the AC. In the annual assessment on the suitability, objectivity and independence of the external auditors, the AC is guided by the factors as prescribed under Paragraph 15.21 of the MMLR as well as the Auditors Independence Policy which was approved by the Board in November 2019.

III. Remuneration

The Board has established a formal and transparent remuneration policies and procedures for the Board and Board Committees. In this respect, the RC is responsible to formulate and review the remuneration policies for the Board and Board Committees (“Board Remuneration Policy”) as well as the Senior Management of the Company to ensure the same remain competitive, appropriate, and in alignment with the prevalent market practices. The RC reviews the Board Remuneration Policy on an annual basis, and an external consultant is engaged for this exercise once every three (3) years, to provide the RC with an objective and independent perspective. The current Board Remuneration Policy was approved by the shareholders at the 42<sup>nd</sup> AGM of the Company held in March 2019.

In November 2019, the RC had conducted a review of the Board Remuneration Policy with the view to determine its competitiveness and sufficiency to attract, retain and motivate individuals to serve on the Board of Bursa Malaysia. In this respect, the Board approved the recommendation by the RC to maintain the existing Board Remuneration Policy which will be put forth to the shareholders for approval at the 43<sup>rd</sup> AGM, in accordance with Section 230 of the CA and Paragraph 7.24 of the MMLR.

The composition of the AC was reviewed by the NRC in May 2019 and recommended to the Board for approval to maintain the current membership of the AC. With the view to maintain an independent and effective AC, an Independent NED who is financially literate, possess the appropriate level of expertise and experience, and has the strong understanding of the Company’s business would be considered for membership on AC.

II. Risk Management and Internal Control Framework

The Risk Management Committee of the Company (“RMC”) comprises four (4) Independent NEDs and one of whom is also a PID. The RMC is chaired by an Independent NED, Datin Grace Yeoh. The RMC is responsible to oversee the Company’s risk management framework and policies.

CORPORATE GOVERNANCE OVERVIEW

The AC is responsible to assist the Board in ensuring the adequacy and effectiveness of internal controls. The Board is of the view that the system of internal control and risk management in place during 2019, is sound and sufficient to safeguard the Group’s assets, as well as shareholders’ investments, and the interests of customers, regulators, employees and other stakeholders.

In this respect, the details of the Risk Management and Internal Control Framework are set out in the Statement on Internal Control and Risk Management on pages 102 to 111 of this report.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. Communication with Stakeholders

Bursa Malaysia ensures that its communication with the shareholders and various stakeholders is transparent, timely and with quality disclosure. Bursa Malaysia also actively engages all its stakeholders through various platforms including the announcements via Bursa LINK, disclosures on its website and engagement through the investor relations function. In 2019, a number of events were held during the year to maintain an open communication with the issuers, investors, shareholders, intermediaries, regulators, employees and other communities. The summary of engagements with Our Stakeholders on page 37 of this report are detailed in Chapter 12 of the Sustainability Report.

presented to the meeting the financials of the Company. The members of Senior Management of the Company were also present to respond to any enquiries from the shareholders.

In line with good CG practice, the notice of the 42<sup>nd</sup> AGM was issued 28 days before the AGM date. The voting at the 42<sup>nd</sup> AGM was conducted through an electronic voting (e-voting) system.

With the view to enhance the quality of engagement with the shareholders, Bursa Malaysia had enabled remote shareholders’ participation and remote online voting by shareholders (i.e. voting in absentia) at the 42<sup>nd</sup> AGM by leveraging on technology in accordance with Article 15.4 of the Constitution of the Company. Shareholders who attended the 42<sup>nd</sup> AGM via remote participation could also submit their questions during the meeting for the Company to respond.

In 2019, Bursa Malaysia issued its first Integrated Annual Report for the financial year 2018, based on the International Integrated Reporting Council’s Integrated Reporting Framework. This is an effort by the company to develop a strategic corporate reporting approach to better meet the needs of various stakeholders and to achieve business benefits.

II. Conduct of General Meetings

At the 42<sup>nd</sup> AGM of the Company held on 28 March 2019, all members of the Board were present at the meeting to respond to the questions raised by the shareholders or proxies. The Chairman of the Board chaired the 42<sup>nd</sup> AGM in an orderly manner and allowed the shareholders or proxies the opportunity to speak at the meeting. The CEO

“...companies should be open to consider the use of relevant technology to provide ease for shareholders participation and improve the conduct of general meetings. On March 2019, Bursa Malaysia successfully conducted its 42<sup>nd</sup> Annual General Meeting with the use of an online tool to facilitate remote shareholder participation.”

Corporate Governance Monitor 2019 - Securities Commission Malaysia

Compliance Statement

This Statement was approved by the Board on 20 February 2020.

## MARKETPLACE REPORT: FAIR AND ORDERLY MARKETS

Bursa Malaysia remains a well-regulated marketplace that continues to evolve within a dynamic environment. As such, we are continuously refining our supervisory focus and approaches against international best practices to ensure that our regulatory environment remains conducive, provides adequate investor protection and that our PLCs and intermediaries adhere closely to our rules.

While there has been a strengthening in the culture of self-regulation and improvements in the quality of practices over the last few years, our continued vigilant monitoring of the market and intervention via market management actions have ensured that our markets operate in a fair and orderly manner.

### Development of the Rules Framework

We continued to maintain an open, transparent and consultative approach when undertaking major rule changes. This approach ensures that our rules framework is balanced and proportionate, and contains no more rules than necessary. In 2019, we continued to review and simplify our rules progressively and in a structured manner to ease compliance, address issues in the market, elevate standards, improve conduct and promote growth and the ease of doing business. Our rules framework was enhanced this past year through several rule amendments including:

- Amendments to the Main Market Listing Requirements and ACE Market Listing Requirements (“LR”) in relation to continuing disclosure obligations, primarily on enhancing the presentation and contents of announcements and circulars relating to transactions, as well as simplifying the requirements relating to corporate disclosure policies. In addition, certain requirements which posed insignificant risks to shareholders were also liberalised. The amendments also sought to address gaps that we saw, such as:
  - o empowering Bursa Malaysia Securities Bhd (“BMS”) to require the issuance of interim audited financial statement if a PLC changes its financial year end beyond 18 months; and
  - o requiring shareholders’ approval for a material change in the utilisation of proceeds raised.
- Amendments to the LR to introduce anti-corruption and whistle-blowing measures for PLCs. These measures aim to cultivate a better governance culture and ethical behaviour in our PLCs. Key enhancements introduced include a requirement for PLCs to establish and maintain policies and procedures on anti-corruption and whistle-blowing for their organisations and their subsidiaries.
- Amendments to the Rules and Directives of BMS and Rules and Directives of Bursa Malaysia Securities Clearing Sdn Bhd in relation to the migration to the T+2 Settlement Cycle. The move to a shorter settlement cycle from three days to two seeks to, amongst others:
  - o mitigate settlement risks in the market and lower the potential for systemic risk in the market;
  - o increase the efficiency of operational processes;
  - o make the securities and funds available sooner for investors; and
  - o place us on par with the settlement cycle adopted by most global markets, by complying with the international standards such as the recommendations under the Principles for Financial Market Infrastructures.
- Revamp of the Rules and Directives of Bursa Malaysia Derivatives Bhd (“BMD”) and Rules and Directives of Bursa Malaysia Derivatives Clearing Bhd (“BMDC”) with the key objectives of, amongst others:
  - o simplifying the regulatory framework to enhance business efficiency and flexibility of doing business;
  - o strengthening the governance framework for participants and registered persons;
  - o managing systemic risks to ensure the continued functioning of BMDC; and
  - o promoting greater transparency on BMDC’s powers in emergency situations and in relation to disciplinary proceedings.
- Amendments to the BMS Rules for consistency with the amendments made under the revamp of the BMD Rules and Directives in relation to a dual licensee who is licensed to deal in securities and derivatives.

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- Amendments to introduce the Option on the United States Dollar (“USD”) Denominated Refined, Bleached and Deodorised Palm Olein Futures (“OPOL”) Contract to complement the USD Denominated Refined, Bleached and Deodorised Palm Olein Futures (“FPOL”) Contract. The key amendments include introducing position limits, fees and contract specifications for the OPOL Contract, as well as revising the contract specifications for the Option on the Ringgit Malaysia Denominated Crude Palm Oil Futures Contract and the FPOL Contract for clarity and consistency.
- A post-implementation review on Phase II of the Green Lane Policy (“GLP”) including a review of the GLP’s impact on turnaround time as well as corporate disclosure practices amongst qualified PLCs.

### Surveillance of the Market

Bursa Malaysia conducts real-time surveillance of trading activities in both the securities and derivatives markets. Trading in the marketplace remained fair and orderly as we continued to enhance our detection of abusive trading and our market management measures to ensure that irregular trading and abusive conduct are quickly acted upon.

When there is an unexplained significant fluctuation of a share price and/or volume traded in a PLC’s securities, an Unusual Market Activity (“UMA”) Query is issued to the PLC to determine if there is any material development that has yet to be announced to the market. Such queries serve to prompt PLCs to ensure all material information are disclosed, including information which may have been withheld, in accordance with Paragraph/Rule 9.05 of the LR respectively to facilitate informed investment decision-making by investors and shareholders. The response from the PLC would be assessed and monitored to determine if there have been non-disclosures, delays in the disclosure of material information or non-compliance with the standards of disclosure.

In cases where irregular and/or abusive trading activities are detected and where the facts warrant, we will conduct market management measures guided by our market surveillance framework, which includes the escalation of breaches for further investigation and enforcement actions.

In 2019, we embarked on various initiatives to improve the understanding of our brokers, registered persons and fellow regulators of trading supervision and activities. These initiatives were designed to enhance the level of knowledge on recent regulatory developments in the equities and derivatives markets. Our list of initiatives is set out below:

1. 4<sup>th</sup> Asian Surveillance Forum (“ASF”)
  - We hosted 35 delegates from 15 Asian exchanges at the ASF held in April 2019.
  - The ASF is a platform designed to facilitate the sharing of information on trading activities and specific practical knowledge, as well as to discuss regulatory concerns in the equities and derivatives markets.

- Consequent to the introduction of the OPOL Contract by BMD, BMDC amended its directives to adopt the same position limits for the OPOL Contract put in place by BMD. BMDC also amended the position limits in relation to the Tin Futures Contract and the FPOL Contract for completeness and accuracy.

In addition to the rules, we also issued various guides and communication notes for PLCs and intermediaries to enhance the quality of disclosure, governance and self-regulation of these entities.

### Efficient Capital Raising Framework

We adopt a balanced and facilitative approach in maintaining an efficient capital raising platform for the secondary market that does not compromise the integrity of the market. To further enhance our role in this matter, we implemented the following initiatives in 2019:

- Optimisation of Bursa LINK to enable the online submissions of draft information memorandums, and applications for the admission of sponsors and advisers for the ACE and LEAP Markets. These enhancements, which will be rolled out in 2020, will facilitate more timely submission by applicants and more efficient processing of the submission or application by Bursa Malaysia.
- Implementation of a structured training programme for advisers on the standards of corporate disclosures, in particular on pre and post-listing disclosure obligations, in order to close the gap between the Exchange’s expectations and the actual practices of the advisers.
- A post-implementation review of the LEAP Market Framework to identify areas requiring further enhancements.

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2. Annual Industry/Broker Meeting

- We held two meetings this year—A Morning Breakfast with Derivatives Surveillance and the Market Inter-Surveillance Group Meeting—attended by the Heads of Dealing and Compliance to engage and enhance the knowledge and capabilities of participants through the sharing of relevant updates and case studies, and to foster a better working relationship between the Exchange and the industry.

3. Thematic Review of Brokers' Front Office Monitoring and Surveillance of Electronic Trading ("ET") ("Thematic Review")

- We carried out a Thematic Review which included a questionnaire completed by Participating Organisations ("POs") in relation to their front office monitoring and surveillance of trading, including ET.
- The survey covered several areas including the definition and identification of ET, risk controls relating to ET, governance and compliance frameworks in addressing risks relating to ET and the front office monitoring and surveillance processes with regard to ET.
- The findings from the review were shared with the POs during our annual industry/broker meeting where they were encouraged to adopt the necessary best practices relating to ET. We have produced a report containing the findings of the Thematic Review which has been shared with the Securities Commission Malaysia ("SC").

Surveillance of PLCs

Our comprehensive corporate surveillance framework facilitates the timely detection of irregularities to enable swift regulatory action by Bursa Malaysia, including conducting a detailed analysis of the issues and circumstances which may have given rise to breaches of the LR and allowing for necessary pre-emptive actions where appropriate, thereby upholding investor protection and market integrity.

Further investigations are held when a breach of LR is detected for enforcement purposes, and where it is found that an offence under the law has been committed, the case is referred to the relevant regulatory authority for further action.

Apart from that, our regulatory/pre-emptive actions had resulted in PLCs amongst others, appointing Special or Investigative Auditors, professional valuers and/or independent advisers to look into the areas of concern raised by us.

To encourage continuous improvement amongst our PLCs, we hold regular engagements with them and provide training in key areas of concern identified through our surveillance activities.

Quality and Timely Disclosures

Timely, complete and accurate disclosure of information is of paramount importance for shareholders and investors looking to make informed investment decisions, and is a requirement in line with Bursa Malaysia's objective of maintaining a fair and orderly market. In reaffirming our commitment to enhancing market quality and transparency, we implemented the following initiatives to provide guidance and clarity in the market:

- Pre-emptive supervision for complex proposals to ensure the disclosure of information in the circular to shareholders is complete and accurate in aiding investment decision-making, thus facilitating a more expeditious review and clearance by Bursa Malaysia.
- Issuance of communication notes on "Guidance on Disclosures in Information Memorandum" to set an industry standard on the quality of submission and adequacy of disclosure in Information Memorandums particularly as the LEAP Market is a new Disclosure-Based Regime and adviser-driven market.
- Issuance of our Reader Friendly Guide aimed at providing guidance to the preparers of corporate announcements and circulars to shareholders to ensure that the disclosures are simple, succinct and presented in a clear and reader friendly manner.
- Outreach education programmes held for company secretaries which aim to provide greater guidance on the understanding and application of the LR.

We also continued to leverage on the Listing Advisory Desk and our online enquiry portal to respond to enquiries from our PLCs and their advisers on LR interpretation.

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Corporate Governance Standards

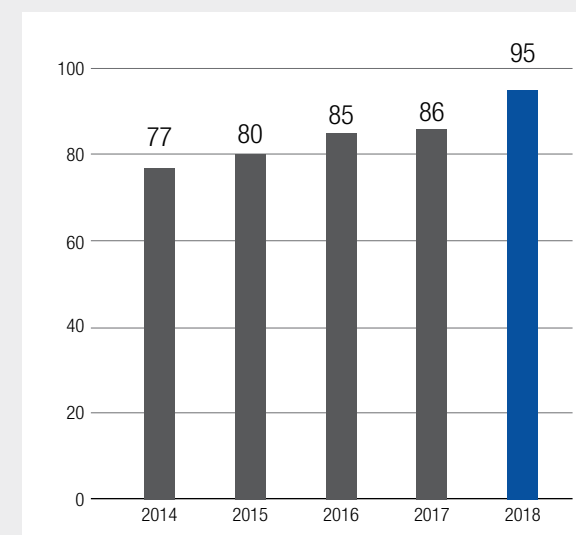
Bursa Malaysia continued to devote significant effort and resources to elevate the standard of corporate governance ("CG") practices and disclosures of our PLCs in 2019, resulting in improved CG disclosures and practices. We conducted a number of CG-related advocacy programmes for our PLCs during the year which focused on a number of areas such as director independence, corporate liability provision, effectiveness of internal audit function, cyber security and integrated reporting. Some of our CG achievements in 2019 include:

ACGA CG Watch 2018 Market Rankings Survey: Malaysia, Top Mover

In its latest CG Watch 2018, the Asian Corporate Governance Association ("ACGA") described Malaysia as a top-mover in terms of improvements made in the country's overall standard of CG. This trend is reflected by Malaysia's significant jump from 7<sup>th</sup> place in the previous ranking in 2016 to 4<sup>th</sup> place.

ASEAN CG Transparency Index: Continuous Improvement in Average CG Score

The latest average CG Score for the Top 100 Malaysian PLCs is 94.95 points. We observed a continued uptrend in the ASEAN CG Transparency Index published by the Minority Shareholders Watch Group ("MSWG") which signals the continuous commitment towards improvement in CG practices by our Top 100 PLCs.



The SC's CG Review 2018: General Trend of Adherence to MCCG

Based on the SC's latest assessment of CG-related practices as well as disclosures of our PLCs via their CG Reports (as detailed in their CG Monitor Report 2019), we note that there is a general trend of adherence to the various Practices and Intended Outcomes as detailed within the latest Malaysian Code on Corporate Governance ("MCCG").

Measures to Promote Sustainability

In line with Bursa Malaysia's goal of becoming the leading exchange for sustainability practices in ASEAN, all PLCs on the Main and ACE Markets are required to publish an annual narrative statement pertaining to their management of material sustainability matters. We continued to devote significant resources towards capacity building in 2019 by providing sustainability reporting workshops for practitioners in addition to thematic advocacy programmes on areas such as climate change and anti-corruption.

Consistent with prior years, we conducted a number of sustainability-related advocacy sessions. In 2019, our advocacy programmes were focused on:

Climate Change

In developing climate champions, we collaborated with Carbon Trust UK to organise workshops based on the recommendations of the Task Force on Climate-Related Financial Disclosures ("TCFD").

Anti-Corruption

We collaborated with the Malaysian Anti-Corruption Commission ("MACC") to hold workshops to better prepare PLCs for the upcoming corporate liability provision which is expected to come into force in June 2020.

In addition, we launched a Corruption and Bribery e-learning module on BURSASUSTAIN, introducing what constitutes bribery and corruption as defined by Malaysian law, specifically the MACC Act 2009. The e-learning module covered recent amendments to the MACC Act 2009 and key features of the new Corporate Liability Provision. This e-learning module complements other related modules launched this year, such as Ethical Decision Making and Introduction to Corporate Governance and Global Principles.

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Sustainability Disclosure Review

Consistent with our phased approach, we undertook a review of sustainability disclosures of a sample of PLCs with a market capitalisation of less than RM 1 billion. This review was based on the statements that these PLCs published for the financial year ended 31 December 2018.

In addition, to assess the degree of improvement that PLCs have made over the years, we reassessed a sample of PLCs with a market capitalisation of RM 2 billion and above whose sustainability disclosures for the financial year ended 2016 were previously reviewed in 2017. For the results of both reviews, please refer to Sustainability Report 2019 “Fostering a Responsible Marketplace”.

Findings are shared with these PLCs in order to facilitate further improvements especially in terms of quality of disclosures apart from adherence to our Sustainability Reporting Guidelines. In addition, the trends that we observed from the said review exercise will also form part of the basis for determining future advocacy/outreach programmes.

Standards of Business Conduct of Intermediaries

Our supervision activities continued to be focused on ensuring that our intermediaries maintain high standards of business conduct through compliance with the business rules and other regulatory requirements. Through the conduct of on-site inspection and off-site monitoring, our intermediaries were found to have adopted safeguards and controls to mitigate against incidences which pose systemic risk to the market. In addition, our monitoring also did not reveal any industry-wide breaches or findings which affected the fair and orderliness of the market. In ensuring that our supervision practices and approaches remained relevant and dynamic to address emerging risks, we rolled out several initiatives in 2019. These initiatives include:

- Liberalisation of B5 transfers for rectification of errors (non-trade) for Authorised Depository Agents (“ADAs”) and Authorised Direct Members (“ADMs”) where ADAs/ADMs are allowed to execute transfers of securities in order to rectify errors without obtaining prior approval from Bursa Malaysia Depository Sdn Bhd.
- Enhanced flexibility was introduced on non face-to-face onboarding process where clients’ identity verification methods have been expanded to include video recording, usage of biometric technologies and online fund transfer verification process.

Enforcement Activities

As part of our vigilant monitoring of compliance with our rules, we take actions for breaches of our rules. Depending on the materiality of the breach, enforcement actions for material breaches or management actions such as warning cautions or reminders for less serious breaches may be taken.

We will take enforcement actions when material breaches are detected and established after thorough investigations and due process.

This due process includes giving the defaulting parties an opportunity to explain their actions prior to the determination of breach and imposition of appropriate sanctions by our independent regulatory committees, which comprise the Listing Committee and Market Participants Committee. In addition, the defaulting parties are accorded a right of appeal which is escalated for hearing by another independent regulatory committee, namely the Appeals Committee. These independent regulatory committees are tasked to deliberate and decide on material breaches of the LR and Business Rules respectively.

In 2019, enforcement actions were taken against 17 PLCs and 25 directors (of six PLCs) for various breaches of the LR. As part of enforcement, we also issued directives against defaulting parties including, where relevant, directives for directors to undergo mandatory training as well as for PLCs to conduct limited reviews on quarterly reports. BMS also took 105 management actions via issuance of reminders mainly for breaches relating to requirements on dealings by directors and principal officers, sustainability disclosures in annual reports, etc.

As for breaches of the Business Rules, in 2019, actions (which include management actions) were taken against 13 intermediaries (i.e. POs, TPs, ADAs and Clearing Participants) and 14 individuals who are subject to the Business Rules e.g. Dealer’s Representatives (“DRs”)/Registered Representative/Local Participant for various breaches particularly for market offences where enforcement action was taken against 1 DR. In an effort to improve the conduct of errant parties, similar to the approach under the LR, mandatory training requirements were imposed when the misconduct showed ignorance or lack of understanding of the rules and requirements.

As a result of our enforcement actions, we note a continued declining trend in certain breaches of our rules, in particular relating to financial reporting obligations by PLCs.

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Education and Advocacy Programmes under CMEIF

The Capital Market Education and Integrity Fund (“CMEIF”) which consists of fines collected from errant parties by Bursa Malaysia as well as fees collected from transfer of DR from one PO to another, was set up with the clear provision that the monies are to be utilised primarily for market education and advocacy programmes.

In 2019, with funding from CMEIF, we conducted 62 advocacy programmes for directors of PLCs, Chief Executive Officers, Chief Financial Officers, principal officers, internal auditors, company secretaries, advisers and intermediaries. These programmes were well received and attended by more than 5,600 participants.

In 2019, some of the key programmes carried out were:

Continuing Programmes

1. Technical Briefing on Disclosures for company secretaries
2. CG and Sustainability Breakfast Series for Directors
3. Sharing session on Bursa Malaysia’s findings on sustainability disclosure review 2018
4. Sustainability Reporting Workshops for Practitioners
5. Joint Programme with professional bodies or industry subject matter experts on cyber security, governance, compliance, risk management and internal audit for intermediaries
6. Collaboration with MIBA/Association Stockbroking Companies of Malaysia/Industry Associations on governance, anti-money laundering, fintech & algorithmic trading, digitisation and business conduct for intermediaries
7. Advocacy sessions for Independent Directors for PLCs to strengthen the quality of independent directors and improve disclosure
8. Advocacy session on improving the function of internal audit of PLCs

New Programmes

1. Collaboration with SC and MACC on corporate governance and anti-corruption
2. Joint programme with professional bodies or industry subject matter experts on board diversity, cyber security in the boardroom and integrated reporting
3. Diversity Xperience to promote gender diversity
4. Thematic sustainability workshops for Top 100 Listed Companies

## STATEMENT ON INTERNAL CONTROL AND RISK MANAGEMENT

The Board of Directors of Bursa Malaysia (The Board) is committed to maintaining a sound internal control and risk management system. Each business/functional unit has implemented its own control processes under the leadership of the Chief Executive Officer (CEO), who is responsible for good business and regulatory governance. The following statement outlines the nature and scope of the Group's internal control and risk management in 2019.

### BOARD'S RESPONSIBILITY

The Board affirms its overall responsibility for the Group's system of internal control and risk management and for reviewing the adequacy and integrity of the system. The system of internal control covers governance, risk management, financial, strategy, organisational, operational, regulatory and compliance control matters. The Board recognises that this system is designed to manage, rather than eliminate, the risks of not adhering to the Group's policies and achieving goals and objectives within the risk tolerance established by the Board and Management. Therefore, the system provides reasonable, but not absolute, assurance against the occurrence of any material misstatement, loss or fraud.

In 2019, the adequacy and effectiveness of internal controls were reviewed by the Audit Committee (AC) in relation to the audits conducted by Internal Audit (IA) during the year. Audit issues and actions taken by Management to address the issues tabled by IA were deliberated on during the AC meetings. Minutes of the AC meetings which recorded these deliberations were presented to the Board.

The Risk Management Committee (RMC) provides oversight on risk management matters relating to the activities of Bursa Malaysia as an exchange holding company and of its subsidiaries in accordance with Section 22 of the Capital Markets and Services Act 2007 (CMSA), to ensure prudent risk management over Bursa Malaysia's business and operations. At its scheduled meetings in 2019, the RMC had reviewed, appraised and assessed the efficacy of the controls and progress of action plans taken to mitigate, monitor and manage the overall risk exposure of the Group. The RMC also reviewed proposals for new products, monitored the progress and status of risk management activities, as well as raised issues of concern and provided feedback for Management's actions.

Internal control and risk-related matters which warranted the attention of the Board were recommended by the AC and RMC to the Board for its deliberation and approval and matters or decisions made within the AC's and RMC's purview were escalated to the Board for its notation.

### KEY INTERNAL CONTROL PROCESSES

The Group's internal control system comprises the following key processes:

#### 1. SEPARATION OF COMMERCIAL AND REGULATORY FUNCTIONS

- a. The Group's commercial and regulatory functions are segregated to ensure the proper discharge of Bursa Malaysia's regulatory duties. Both these functions operate independently of each other to ensure that business units are not in a position to unduly influence any regulatory decision made by the Regulation unit. It is Bursa Malaysia's statutory duty to always act in the public interest, with particular regard for the need to protect investors. As such, the Board of Bursa Malaysia which includes Public Interest Directors is responsible for upholding public interest in its decision making.

To this end, Regulatory Committees have been set up to deliberate and decide on regulatory matters to ensure Bursa Malaysia upholds its obligation to safeguard public interest. These committees comprise the Regulatory & Conflicts Committee, Listing Committee, Market Participants Committee, and Appeals Committee, which apart from Board members, comprise independent individuals with significant and relevant industry experience.

- b. Processes are established and set out in the Guidelines for Handling Conflicts of Interest (COI) to deal with any possible COI which may arise in the course of Bursa Malaysia performing its commercial or regulatory role.

## STATEMENT ON INTERNAL CONTROL AND RISK MANAGEMENT

### 2. AUTHORITY AND RESPONSIBILITY

- a. Certain responsibilities are delegated to Board Committees through clearly defined Terms of Reference (TOR) which are reviewed annually.
- b. The Corporate Authority Manual is reviewed to reflect the authority and authorisation limits of Management in all aspects of the Group's major business operations and regulatory functions.
- c. The Group's Management Governance Framework, comprising two committees for the governance function (Corporate Sustainability Committee and Management Risk & Audit Committee) and two committees for the operations function (Management Committee and Management Regulatory Committee), has clearly defined TOR to enable good business and regulatory governance.

### 3. PLANNING, MONITORING AND REPORTING

- a. An annual planning and budgetary exercise is undertaken requiring all divisions to prepare business plans and budgets for the forthcoming year. These are deliberated on and approved by the Board before its implementation.
- b. The Board is updated on the Group's performance at the scheduled meetings. The Group's business plan and actual versus budget performance for the year are reviewed and deliberated on by the Board on a half-yearly basis. Financial performance variances are presented to the Board on a quarterly basis.
- c. There is a regular and comprehensive flow of information to the Board and Management on all aspects of the Group's operations to facilitate the monitoring of performance against the Group's corporate strategy, business and regulatory plans. The Board also reviews and approves the Annual Regulatory Report, which informs the Securities Commission Malaysia (SC), under Section 16 of the CMSA, of the extent to which Bursa Malaysia and its subsidiaries have complied with their duties and obligations under Sections 11 and 21 of the CMSA.
- d. The Director of Finance & Corporate Services who is also the Chief Financial Officer (CFO) is required to provide assurance to the AC that appropriate

accounting policies have been adopted and applied consistently, the going concern basis applied in the Annual Financial Statements and Condensed Consolidated Financial Statements of the Group is appropriate, and that prudent judgements and reasonable estimates have been made in accordance with the requirements set out in the Malaysian Financial Reporting Standards (MFRSs) and the International Financial Reporting Standards (IFRSs). The CFO also assures that adequate processes and controls are in place for effective and efficient financial reporting and disclosure under the requirements of MFRSs, IFRSs, the Companies Act 2016 and Bursa Malaysia Securities Berhad Main Market Listing Requirements (MMLR), and that the Annual Financial Statements and the quarterly Condensed Consolidated Financial Statements of the Group give a true and fair view of the financial position and financial performance of the Group and do not contain any material misstatement.

- e. Corporate sustainability provides an additional perspective to capture potential risks and opportunities directly linked to our organisational ability to create value. Materiality assessment has been a key component of Bursa Malaysia's sustainability management approach and sustainability reporting. A total of 17 material matters were identified during the materiality assessment process in 2018. These material matters represented significant priority issues across economic, environment, social and governance dimensions that have a strategic importance to Bursa Malaysia's business and stakeholders. In 2019, a stakeholder engagement process via online survey was conducted to validate the material matters. The previously identified material matters remained largely relevant and still play an integral role in guiding future sustainability initiatives and process-targets. Notwithstanding, the boundaries of the materiality matters have been refined and enhanced to ensure continued relevance in this ever-evolving business landscape. For more details on the materiality matters and sustainability approach, please refer to Bursa Malaysia's Sustainability Report 2019.

The key findings of the 2019 materiality assessment have been reviewed by the Corporate Sustainability Committee and approved by the Board for disclosure in the Group's Sustainability Statement in the 2019 Integrated Annual Report and standalone Sustainability Report 2019.

STATEMENT ON INTERNAL CONTROL AND RISK MANAGEMENT

4. POLICIES AND PROCEDURES

Clear, formalised and documented internal policies, standards and procedures are in place to ensure compliance with internal controls and relevant laws and regulations. A list of identified laws and regulations applicable to Bursa Malaysia is documented and maintained to facilitate compliance. Regular reviews are performed to ensure that documentation remains current and relevant. Common Group policies are available on Bursa Malaysia's intranet for easy access by employees.

5. AUDITS

a. Audit engagements are carried out based on the annual audit plan approved by the Audit Committee and takes into consideration feedbacks from the Management. IA assesses the selected areas under the audit scope with regard to risk exposures, compliance with the approved policies and procedures and relevant laws and regulations and also, at times, benchmark against available best practices. For any significant gaps identified in the governance processes, risk management processes and controls during the engagements, IA provides recommendations to Management to improve their design and effectiveness of controls where applicable.

In addition, IA assesses and reports the adequacy and effectiveness of the Group's governance, risk management and internal control processes to the AC based on the engagements carried out within the financial year including review reports prepared by external consultants, if any. The Audit Committee takes note of the review results (which include the state of internal controls, exceptions, and root cause analysis) which are subsequently shared with Senior Management to ensure continuous enhancement of the internal control system of the Group. The Board is updated on the results of the review of the Group's internal control framework.

b. The yearly certification for the Information Security Management System (ISMS), MS ISO/ IEC 27001:2013 was carried out by CyberSecurity Malaysia. The ISMS scope covered the management, operation and maintenance of the information system assets and information systems of Bursa Malaysia and its subsidiaries. ISMS internal audits are also conducted by a qualified team of personnel prior to the certification year.

c. The External Auditors' annual plan which comprises planned audit services (inclusive of other assurance-related services), recurring non-audit services and non-recurring non-audit services is tabled annually to the AC for deliberation and approval.

d. In addition to the annual audit of the financial statements of the Group, the External Auditors are engaged to conduct reviews on all of the condensed financial statements for the quarter and cumulative quarters in accordance with the International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

e. The IA team is required to conduct quarterly assessments of the internal control system pertaining to the processes of the relevant business/functional units which have a bearing on the financial information of the Group, to ensure the reliability and integrity of such information.

The Director of IA, who is also the Head of IA, is required to confirm the effective operation of process controls which support the preparation of the financial statements.

f. IA conducts system readiness reviews to assess the progress of project implementations according to the pre-determined timelines, milestones and objectives of selected key projects and also to ensure that due process has been complied with prior to the implementation or launch of significant systems development and enhancement projects. Post Implementation Reviews are also conducted after a predefined period of time to assess the effectiveness and implementation in accordance with the objectives of the systems/ initiatives.

6. RISK MANAGEMENT

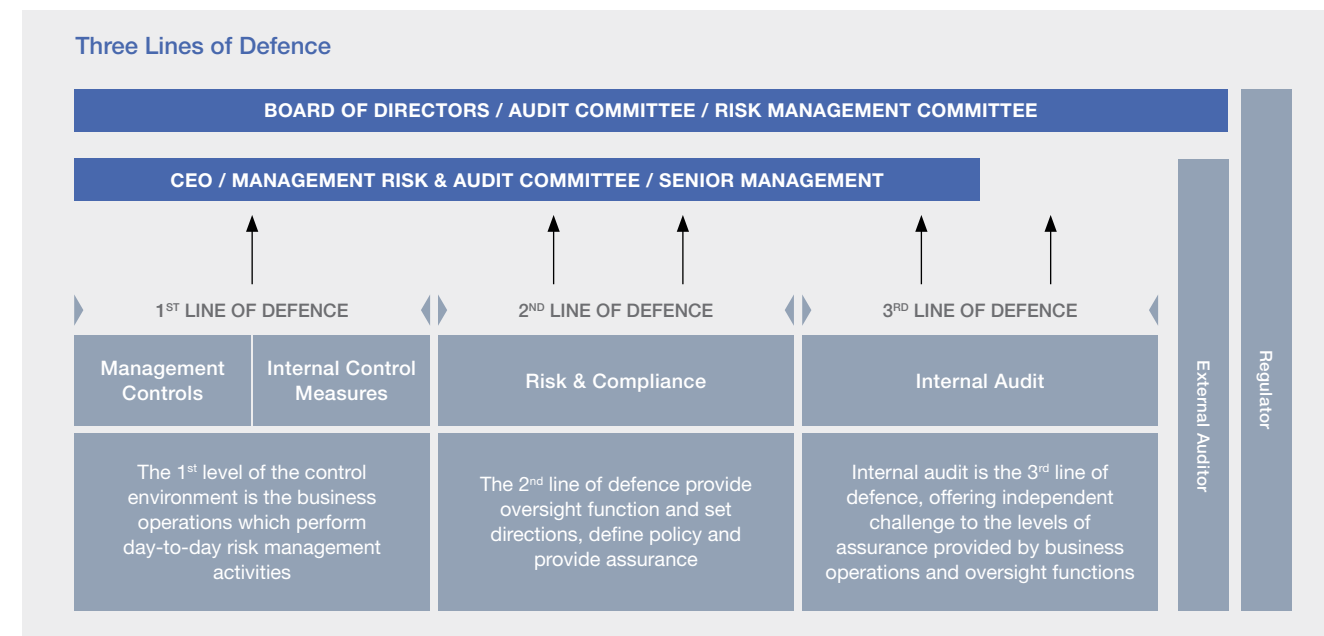
a. The Risk & Compliance (RC) division oversees the risk and compliance management functions for the Group at the enterprise wide level. RC has put in place the necessary risk and compliance management frameworks to enhance the Group's governance structure, aligned the initiatives of RC to support the overall aspirations of the Group, integrated the various risk and compliance processes, as well as conducted risk and compliance engagement awareness programmes across the Group.

STATEMENT ON INTERNAL CONTROL AND RISK MANAGEMENT

b. The implementation of the Governance, Risk and Compliance (GRC) solution in March 2019 provides a holistic approach on how RC operates by integrating and streamlining the existing frameworks and processes and enabling them through a technological solution. Amongst the benefits that could be derived from the GRC were standardisation of GRC practices, efficient usage of GRC resources, promotion of a better sense of accountability and ownership and increased level of confidence over the ability to respond to situations and crises.

c. The Group adopts the Guidelines on Financial Market Infrastructures issued by the SC and best practices such as the ISO 31000:2009 Risk Management –

Guidelines and International Organisation of Securities Commissions (IOSCO) – Principles for Financial Market Infrastructure (PFMI) frameworks, to manage the risks of its business and operations. These best practice risk management standards are encapsulated into the overarching risk management and compliance framework known as the Enterprise Risk Management Principles & Framework (ERMPF). The ERMPF in turn is supported by the Enterprise Risk Management Process & Guidelines manual (ERMPG) which detail the processes of the ERMPF. One of the key features of the risk management framework is the implementation of the three lines of defence comprising established and clear functional responsibilities and accountabilities for the management of risk.



d. Senior Management, which includes Management Committee members and Divisional Heads, are the first line of defence and are accountable for all risks assigned under their respective areas of responsibility based on the ERMPF and ERMPG. This group of personnel is also responsible for the continuous development of the risk management capabilities of employees and ensures that risk management is embedded in all key processes and activities.

e. The second line of defence is provided by the RC team and Management Risk & Audit Committee (MRAC), with oversight by the RMC. The RC team is responsible for monitoring the risk and approving matters within its authority for implementation across the Group.

f. The third line of defence is provided by IA and AC and are responsible for providing assurance on the effectiveness of the enterprise risk governance framework.

g. Within the framework, the Group has an established and structured process for the identification, assessment, communication, monitoring as well as continual review of risks and effectiveness of risk mitigation strategies and controls at the divisional and enterprise levels. The analysis and evaluation of our risks are guided by approved risk criteria. The Group also has risk management tools to support the risk management process and reporting.

## STATEMENT ON INTERNAL CONTROL AND RISK MANAGEMENT

- h. As part of RC's commitment to ensure that the risk management models remain robust and relevant, an annual independent validation of stress testing and margining models were undertaken for the 2 Central Counterparties (CCPs) within the Group, which conform to the requirements of the PFMI as well as the SC's Guidelines on Financial Market Infrastructure. The review showed that the 2 CCPs generally observed the requirements of the PFMI.
- i. The Group's risk appetite and risk tolerance which documented the overarching parameters of the Group for the management of risk are reviewed on a periodic basis to provide clarity on the limits and thresholds at the enterprise wide level so that the optimum allocation of resources can be determined to protect and enhance the Group's business and operations.
- j. In 2019, RC rolled out various risk management and compliance awareness programmes through both online and offline communication channels. The main objective of the programmes is to inculcate a robust risk governance and compliance culture to all segments of Bursa Malaysia wide staff from all levels to senior management and the Board. The anti-fraud, bribery and corruption and Cyber Security Resilience programmes were conducted for the Board and Bursa Malaysia wide staff through seminars. In addition, the risk awareness e-learning series were rolled out to employees on the HR's Go1 e-learning platform in May 2019.
- k. Bursa Malaysia will adopt the 5 principles of the Guidelines on Adequate Procedures (GAP), pursuant to Section 17A(5) of the Malaysian Anti-Corruption Act 2009, as stated in the MACC Amendment Act 2018. As part of the Organisation Anti-Corruption Plan, RC had conducted the corruption risk assessment via the Risk Control Self-Assessment (RCSA) process. This is an on-going effort by RC to strengthen the internal controls and ensure compliance with best practices.
- l. The management and reporting of risks in the Group have been aligned with four risk categories for the Enterprise Risk Management as outlined below:

### i. Management of Operational Risk

The management of operational risk is guided by Principle 17 of the IOSCO- PFMI. Operational risk is identified as the risk that deficiencies in information systems or internal processes, human errors, management failures, or disruptions from external events that will result in the reduction, deterioration, or breakdown of services provided by Bursa Malaysia.

The management of some of the significant operational risks faced by the Group for the financial year 2019 are outlined below:

#### • Business Interruption

Appropriate systems with adequate capacity, security arrangements, facilities and resources are in place to mitigate risks that could cause interruption to the Group's critical business functions. The Group has a comprehensive Business Continuity Plan (BCP), including a Disaster Recovery Plan which is tested annually to ensure continuity of the business and technology operations.

In 2019, the Group encountered two business interruptions. On 27 February 2019, trading on the derivatives market was affected and it was resumed within the target recovery time objective. On 19 December 2019, trading on the securities market was affected at 4:45 pm, 15 minutes before the usual market close time. The securities market was opened and closed normally on 20 December 2019.

In both cases, the incident response, system recovery and communication processes were promptly carried out to ensure timely business resumption without any further operational impact. Further actions had been taken to prevent recurrence of similar incidents.

Besides the mandatory industry wide tests, the Group also facilitated two BCP exercises for the market participants. The objective of these exercises was to ensure market participants' backup sites/systems can be connected successfully and timely to Bursa Malaysia in the event of a disruption.

## STATEMENT ON INTERNAL CONTROL AND RISK MANAGEMENT

### • Cyber Security

Bursa Malaysia has implemented various mitigation measures to manage Cyber Security risk including a robust network architecture which is segmented into private and public networks. This aims to isolate the problem within the segment in the event of a cyber-attack. Bursa Malaysia has invested and set in place adequate IT security tools and mechanisms to enhance the cyber resilience capabilities to anticipate, withstand, contain and rapidly recover from a cyber incident with the objective of limiting the escalating risks that cyber threats pose to Bursa Malaysia and the broader capital market.

The tools and mechanisms are reviewed and assessed on an annual basis or as and when needed. In addition, review on the cyber security architecture by an independent party is conducted periodically. It aims to ensure observance with the Guidance on Cyber Resilience for Financial Market Infrastructures as issued by IOSCO as well as to comply with the Guidelines on Management of Cyber Risk issued by the SC.

Bursa Malaysia was selected and participated in the Capital Market Cyber Drill Simulation (CMCDS) organised by the SC alongside with 78 participants in the capital market industry on 1 August 2019. The objective of the drill was to gauge the capital market readiness on cyber threats.

### • Physical Security

Bursa Malaysia has put in place several controls to mitigate physical breaches covering the main Bursa Malaysia building as well as its Disaster Recovery site. To ensure that Bursa Malaysia is sufficiently prepared to meet any eventuality, there are plans that have been developed and exercised to address multiple possible scenarios which can impact the physical security at its premises.

Procedures on Managing High Risk Roles was established to manage situations of threats directed at and/ or safety concerns arising from Bursa Malaysia staff carrying out high risk job functions or roles in their work place. The procedures outlined the incident reporting and response procedures to be carried out in those situations.

### • Policies & Procedures

The effective operations of Bursa Malaysia is dependent to a significant extent on the availability, adequacy and effectiveness of its frameworks, policies, processes and procedures. Hence, Bursa Malaysia has put in place the key frameworks, policies and procedures which include the following:

- System/Operations – IT Security Policy, Information Management Policy, Business Rules, Trading & Clearing procedures, ISMS Manual
- Risk & Compliance – ERMPF, Compliance Framework, BCM Framework
- People – Code of Ethics, Employee Handbook, Group Disciplinary Policy
- Budget – Finance Policies & Procedures, Corporate Authority Manual, Contract Management Guidelines

The key frameworks, policies and procedures will continue to be reviewed to ensure that the effectiveness and adequacy of the implementation are in accordance with global best practices and standards.

STATEMENT ON INTERNAL CONTROL AND RISK MANAGEMENT

ii. Management of Financial Risk

The Group has in place robust risk management processes and procedures to manage counterparty/settlement risks and prevent a systemic impact on the market. Bursa Malaysia Securities Clearing Sdn Bhd (BMSC) and Bursa Malaysia Derivatives Clearing Berhad (BMDC) (collectively referred to as “Clearing Houses”) act as the central counterparty for equities and derivatives trades, respectively, and thus are subject to counterparty credit risk. The processes and procedures of these two Clearing Houses are in line with the PFMI issued by the Committee on Payment and Market Infrastructure (CPMI), a Technical Committee of the IOSCO. The management of financial risk is guided by the following principles:-

<b>Principle 4 of PFMI (Credit Risk)</b>	>	requires the Central Counterparty (CCP) to maintain sufficient financial resources to cover its credit exposure to each participant and manage its credit exposure arising from its payment, clearing and settlement processes effectively.
<b>Principle 5 of PFMI (Collateral)</b>	>	requires the CCP to accept only collaterals with low credit, liquidity and market risks while ensuring appropriate haircuts and limits are imposed accordingly.
<b>Principle 6 of PFMI (Margin)</b>	>	requires the CCP to manage its credit exposure through the collection of margins.
<b>Principle 7 of PFMI (Liquidity Risk)</b>	>	requires the CCP to maintain sufficient liquid resources in all relevant currencies to effect same-day, intraday and multiday settlements with a high degree of confidence.
<b>Principle 16 of PFMI (Custody and Investment Risk)</b>	>	requires the CCP to safeguard its own and participants’ assets and invest in instruments with minimal credit, market and liquidity risks.

The risk mitigation measures that have been put in place to manage Financial Risk are outlined below:

- Daily mark-to-market of outstanding positions and intraday revaluation of positions and collaterals;
- Initial and variation margin requirements; as well as prudent cash and collateral management;
- Monitor Trading Clearing Participants’ (TCP) and Clearing Participants’ (CP) capital adequacy ratios and adjusted net capital levels;
- Monitor settlement flows for both BMSC and BMDC and manage clearing house’ exposure vis-a-vis other financial institutions;
- Perform daily stress-tests on adequacy of the Clearing Guarantee Fund (CGF) of BMSC and the Clearing Fund (CF) of BMDC respectively, to ensure that they are sufficient to protect the Clearing Houses under extreme but plausible market scenarios;
- Perform daily stress tests on adequacy of liquid resources of the Clearing Houses to ensure that there are sufficient liquid resources to meet their settlement obligations in a timely manner; and
- Conduct annual default drill exercises by simulating default scenarios to test the effectiveness of the Default Management Procedures to ensure they remain robust and relevant in the face of the uncertain market environment.

In 2019, there were no settlement defaults by any TCP or CP and neither the CGF nor the CF needed to be called upon. However, management will continue to be prudent in monitoring financial resources for its adequacy to cater for higher volatility in the market.

STATEMENT ON INTERNAL CONTROL AND RISK MANAGEMENT

iii. Management of Strategic Risk

Strategic risk refers to Bursa Malaysia’s exposure to internal and external events that can either support or prevent it from achieving its objectives. In accordance with Bursa Malaysia’s Corporate Risk Profile for 2019, the key areas monitored under Strategic Risk are competition, high impact projects and new ways of doing business including new technologies. The key competition risks monitored from market developments are assessed for their impact on Bursa Malaysia’s current business plan such as economic trends and potential entry of market disrupters which can challenge its aspiration to become the key regional player with global reach. In addition, high impact projects are monitored to assess the risk implications to Bursa Malaysia based on the project life cycles, their progress status against the objectives outlined in the current business plan, as they are the key drivers to support Bursa Malaysia’s attainment of strategic objectives. Finally, the risk of failure to embrace for example new technologies can potentially leave Bursa Malaysia to become uncompetitive amongst its peers.

iv. Management of Legal and Regulatory Risk

The management of Legal and Regulatory Risk aims to ensure that the Group’s exposure to potential legal liabilities during the course of business such as rule implementation or product liability are well mitigated to avoid disruption to its business and operations. If not properly mitigated, legal liabilities can have a significant impact on the Group’s reputation which in turn can affect investor confidence in the market.

In this regard, the Legal and Regulatory Risk unit monitors for any new or on-going litigation cases to assess the potential adverse impact of these cases to the market, the Group’s reputation and financial standing.

Another key area that the Legal and Regulatory Risk unit monitors is the dynamic regulatory landscape which has been getting increasingly complex and costly to comply. With the fast pace of regulatory changes, there is the ever-present risk that the Group may breach new regulations and face reprimands or hefty fines from regulators. Thus, it is important for the Legal and Regulatory Risk unit to keep abreast of new regulations and assess their potential implications on the business operations of the Group.

In 2019, RC has reviewed and updated the Operational Risk, Strategic Risk, Financial Risk, Legal and Regulatory Risk Frameworks and further consolidated these into the ERMPF. At the same time, the ERMPF and Business Continuity Management Frameworks were enhanced to align with the latest ISO 31000:2018 and the Securities Commission’s Guiding Principles on Business Continuity respectively.

The Group will continue to review and enhance the above processes and procedures in accordance with global best practices and standards to ensure that the risk management framework remains relevant and applicable in the current market environment.

7. COMPLIANCE MANAGEMENT

a. The Group’s compliance management covers compliance to all legal obligations imposed on Bursa Malaysia, in particular laws, regulations, rules and major identified guidelines or legal requirements. It also covers risk-based compliance to internal policies and procedures, code of ethics and business conduct.

b. In managing the compliance function, a Compliance Management Framework is in place to ensure that the conduct of the compliance function is governed by internationally recognised standards and provide structured processes for establishing, implementing, evaluating, maintaining and improving the compliance management system for the Group. The Compliance Management Framework was developed based on the ISO 19600 Compliance Management System – Guidelines.

c. In 2019, there were no major non-compliance issues encountered.

8. PERFORMANCE MEASUREMENT

a. Individual scorecards which comprise Key Performance Indicators (KPIs) and Behavioral Competencies are ways to periodically assess and measure employees’ performance. KPIs are based on both the Corporate and Divisional Balanced Scorecards, while Behavioral Competencies drive the development of employees.

b. Consistent employee engagements with customer satisfaction surveys are used to gain feedback on the effectiveness of stakeholder engagements for continuous enhancement.

STATEMENT ON INTERNAL CONTROL AND RISK MANAGEMENT

9. EMPLOYEES' COMPETENCY

Competency gap analyses are being conducted across the Exchange to identify development interventions required for each employee. Annual training and development programmes are conducted with the aim of minimizing their competency gaps. Targeted learning interventions are provided to employees to address the gaps identified in their Individual Development Plans or Training Action Plans.

10. CONDUCT OF EMPLOYEES

a. The following core values support Bursa Malaysia and shape the culture.



We continuously inculcate and practise them throughout all levels in Bursa Malaysia and instil the 3Ds in Bursa Malaysia's values / behavior of its employees - "Dynamic, Driven and Dependable":-



- b. A Code of Ethics sets out the policy stand on the conduct of business and the standards of behaviour/ ethical conduct expected of Bursa Malaysia employees.
- c. Bursa Malaysia has a Whistleblower Policy and Procedures (WPP) to provide an avenue for employees or any external party to report any breach or suspected breach of any law or regulation, including business principles and the Group's policies and guidelines, in a safe and confidential manner. An employee who makes a report of improper conduct in good faith shall not be subject to unfair dismissal, victimisation, demotion, suspension, intimidation or harassment, discrimination, any action causing injury, loss or damage or any other retaliatory actions by the Group. The AC has the overall responsibility in overseeing the implementation and monitoring of the WPP for Bursa Malaysia Group, and ensuring effective administration thereof by the Director of IA.
- d. A Securities Transaction Policy is established to govern the securities transactions of the Group's employees. The policy prohibits employees from using unpublished price sensitive information obtained during the course of their work for personal gain or for the gain of other persons. All employees (including principal officers) are also not allowed to trade in the securities of Bursa Malaysia during the closed period, which is 30 calendar days preceding the announcement of the Group's quarterly and annual financial results.
- e. Anti-corruption is considered as a material theme to Bursa Malaysia under the FTSE4Good Bursa Malaysia Index (F4GBM Index). One of the themes that Bursa Malaysia has to fulfil as a constituent of F4GBM Index, is to have an anti-corruption policy. Based on this, the existing Corporate Fraud Policy was replaced with an Anti-Fraud, Bribery and Corruption Policy to perform a sound fraud, bribery and corruption risk management and prevention approach and process which involves risk assessments, analyses, treatment, monitoring and reporting in a structured, systematic and consistent manner. The Policy covers anti-fraud, bribery and corruption measures in areas of governance, risk assessment, prevention, detection, investigation & corrective action and monitoring.

STATEMENT ON INTERNAL CONTROL AND RISK MANAGEMENT

REVIEW OF THIS STATEMENT

Pursuant to paragraph 15.23 of the MMLR, the External Auditors have reviewed this Statement for inclusion in the 2019 Annual Report, and have reported to the Board that nothing has come to their attention that causes them to believe that the Statement is not prepared, in all material aspects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control Guidelines for Directors of Listed Issuers, nor is the Statement factually inaccurate. This Statement was approved by the Board on 20 February 2020.

IA has also reviewed this Statement and reported to the AC that, while it has addressed certain individual lapses in internal control during the course of its internal audit assignments for the year, it has not identified any circumstances which suggest any fundamental deficiencies in the Group's internal control and risk management system.

CONCLUSION

The Board is of the view that the system of internal control and risk management in place for the year under review, and up to the date of approval of this Statement, is sound and sufficient to safeguard the Group's assets, as well as the shareholders' investments, and the interests of customers, regulators, employees and other stakeholders.

The Board has received assurance from the CEO and CFO that the Company's internal control and risk management system is operating adequately and effectively, in all material aspects, based on the framework adopted by the Group.

- f. An Information Management Policy has been established to provide direction and guidance for the classification, management and control of information used by the Group, so as to protect and preserve the security of information from being wrongly disseminated or distributed to unauthorised parties.
- g. Management and employees at Grade E6 and above are required to annually declare and provide an update on assets acquired or disposed of during the year.
- h. Segregation of duties is practised whereby conflicting tasks are assigned to different employees to reduce the scope for error and fraud.

11. INSURANCE

Sufficient insurance coverage and physical safeguards on major assets are in place to ensure that the Group's assets are adequately covered against any mishap that could result in material loss. A yearly policy renewal exercise is undertaken by Management to review the coverage of the assets as recorded in the current fixed asset register and their respective net book values and "replacement values", that is the prevailing market price for the same or similar items, where applicable. There is also a yearly exercise to ensure the adequacy and renewal of the Group's insurance coverage of financial lines (i.e. Directors' and Officers' Liability, Crime and Professional Indemnity, Financial Institution Crime, Cyber Liability, Financial Institution Professional Indemnity).

## AUDIT COMMITTEE REPORT

The Board presents the Audit Committee Report which provides insights into the manner in which the Audit Committee discharged its functions for the Group in 2019.

### COMPOSITION AND ATTENDANCE

The Audit Committee (AC) comprises three members, all of them are Independent Non-Executive Directors (NEDs) including one who is also a Public Interest Director. All of the Independent NEDs satisfy the test of independence under Bursa Malaysia Securities Berhad Main Market Listing Requirements (MMLR). The AC meets the requirements of paragraph 15.09(1)(a) and (b) of the MMLR and Practice 8.4 under Principle B of the Malaysian Code on Corporate Governance (MCCG). The AC members' attendance records are outlined in the Corporate Governance Overview section on page 90 of this report.

The AC Chairman, Mr. Pushpanathan a/l S.A. Kanagarayar, is a member of the Institute of Chartered Accountants of Scotland, the Malaysian Institute of Accountants (MIA) and the Malaysian Institute of Certified Public Accountants (MICPA). Accordingly, Bursa Malaysia complies with paragraph 15.09(1)(c)(i) of MMLR.

The Board reviews the terms of office of the AC members and assesses the performance of the AC and its members through an annual Board Committee effectiveness evaluation. The Board is satisfied that the AC and its members discharged their functions, duties and responsibilities in accordance with the AC's Terms of Reference (TOR) which is available on Bursa Malaysia's website

### MEETINGS

The AC held six meetings in 2019 without the presence of other Directors and employees, except in situations when the AC requested for their attendance. The Chief Executive Officer (CEO) was invited to all AC meetings to facilitate direct communication as well as to provide clarification on audit issues and the Group's operations. The Director of Internal Audit (IA), who is also the Head of IA, and departmental heads of the respective IA functions attended all AC meetings to table the respective IA reports. The relevant responsible Management members of the respective auditees were invited to brief the AC on specific issues arising from the audit reports or on any matters of specific interest.

As part of the AC's efforts to ensure the reliability of Bursa Malaysia's quarterly financial statements and their compliance with applicable Financial Reporting Standards, the external auditors, Ernst & Young PLT (EY) were engaged to conduct a limited review of Bursa Malaysia's quarterly financial statements before they were presented to the AC for review and recommendation for the Board's approval and adoption.

Minutes of each AC meeting were recorded and tabled for confirmation at the next following AC meeting and subsequently presented to the Board for notation. In 2019, the AC Chairman presented to the Board the Committee's recommendations to approve the annual and quarterly financial statements. The AC Chairman also conveyed to the Board matters of significant concern as and when raised by the External Auditors or Internal Auditors in the respective quarterly presentations.

For the declaration of second interim dividend in respect of Financial Year (FY) 2018, the AC at its first meeting held on 28 January 2019 reviewed the solvency test undertaken by the Management which indicated that the funds were available to pay debts within 13 months from the date of declaration (including 12 months from the payment date). In view of the proposal to declare an interim dividend, the AC at its third meeting on 25 July 2019 reviewed the solvency tests which were performed by Management on Bursa Malaysia and its subsidiaries. This was to ensure that Bursa Malaysia is solvent, that is being able to pay its debts as and when the debts become due within 12 months after the distribution of dividends being made pursuant to Section 132(3) of the Companies Act 2016. Based on the Chief Financial Officer (CFO)'s confirmation that the surplus funds of the subsidiary companies within the Group would remain adequate, the AC resolved to recommend for the Board's approval of the said interim dividend under the single-tier system for the FY 2019.

The AC is responsible for overseeing the implementation of the Whistleblower Policy and Procedures (WPP) for the Group's employees and third parties. Two complaints were received by the Bursa2U (Customer Service function) and Bursa Malaysia Chairman respectively via emails from external parties which were reported on by the Head of IA for the AC's notation at its meeting in July 2019 and January 2020 in accordance with the process under the WPP. Arising

from IA's review, IA had taken the necessary steps to reach out to the complainants and to address the complaints that were made. Apart from that, there were no reporting of whistleblowing cases in 2019.

### SUMMARY OF WORK

The AC's work during 2019 comprised the following:

#### 1. Financial Reporting

- a. In overseeing Bursa Malaysia's financial reporting, the AC reviewed the quarterly financial statements for the fourth quarter of 2018 and the annual audited financial statements for 2018 at its meeting on 28 January 2019.

The quarterly financial statements for the first, second and third quarters of 2019, which were prepared in compliance with the Malaysian Financial Reporting Standard (MFRS) 134 Interim Financial Reporting, International Accounting Standard (IAS) 34 Interim Financial Reporting and paragraph 9.22, including Appendix 9B of the MMLR, were reviewed at the AC meetings on 24 April 2019, 25 July 2019 and 22 October 2019, respectively.

On 29 January 2020, the AC reviewed the quarterly financial statements for the fourth quarter of 2019 and the annual audited financial statements for 2019.

The AC's recommendations were presented for approvals at the immediate following Board meetings.

- b. To safeguard the integrity of information, the Director of Finance & Corporate Services, who is also the Chief Financial Officer (CFO) had on 19 April 2019, 22 July 2019, 18 October 2019 and 23 January 2020, given assurance to the AC that:
  - i. Appropriate accounting policies had been adopted and applied consistently;
  - ii. The going concern basis applied in the annual financial statements and quarterly condensed consolidated financial statements was appropriate;
  - iii. Prudent judgements and reasonable estimates had been made in accordance with the requirements set out in the MFRSs and International Financial Reporting Standards (IFRSs);

- iv. Adequate processes and controls were in place for effective and efficient financial reporting and disclosures under the MFRSs, IFRSs, IASs and MMLR; and
- v. The annual financial statements and quarterly condensed consolidated financial statements did not contain material misstatements and gave a true and fair view of the financial position of the Group and the respective companies within the Group for 2019.

#### 2. External Audit

- a. The AC deliberated on the External Auditors' report at its first meeting on 28 January 2019 with regard to the relevant disclosures in the audited financial statements for 2018. The AC also considered the outcome of EY's assessment on areas relating to the clarification guidance issued by the IFRS Interpretations Committee on the recognition of non-refundable upfront fees charged by a stock exchange for admission and initial listing services.

At the same meeting, the lead audit engagement partner, Dato' Megat Iskandar Shah bin Mohamad Nor of EY confirmed that EY was and had been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements, including the By-Laws (on Professional Ethics, Conduct and Practice) of the MIA as well as the International Code of Ethics for Professional Accountants ("IESBA Code"). He further highlighted the key audit matters, as set out in the report on the audit of the financial statements for the FY 2018.

- b. At the same meeting, the AC took note of the audit services rendered by EY in FY 2018 which included five subsidiary companies within Bursa Malaysia Group which are classified as public interest entities and subject to the quality control partner's review. The subsidiary companies mentioned are the securities and derivatives exchanges and their respective clearing houses, as well as the central depository.

The CFO presented to the AC the audit fees incurred with reference to the FY 2018 Audit Plan.

## AUDIT COMMITTEE REPORT

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c. On 28 January 2019, the CFO further sought the AC's approval for the proposed audit and non-audit services to be provided by the External Auditors for the FY 2019 (2019 Annual Plan). The AC reviewed the list of services in the 2019 Annual Plan which comprised the audit services (which included the quarterly limited reviews and other regulatory reporting requirements such as the annual review of the Statement on Internal Control and Risk Management (SICRM)), recurring non-audit services and non-recurring non-audit services that may be provided by the External Auditors. The recurring non-audit services were in respect of tax compliance and transfer pricing documentation reviews. The non-recurring non-audit services that were expected to be utilised in FY 2019 was mainly for tax advisory services for sales and service tax reviews and implementation.

The AC reviewed EY's non-recurring non-audit services and was satisfied that such services to be sought from EY would not impair their audit independence as the External Auditors of Bursa Malaysia. The AC was also satisfied with EY's technical competency and reasonableness of fees. The AC resolved to approve the FY 2019 Annual Plan including the recurring non-audit and non-recurring non-audit services, and audit services subject to the re-appointment of EY as the External Auditors of Bursa Malaysia for the FY 2019 at the 42<sup>nd</sup> Annual General Meeting (AGM).

d. In line with the Auditor Independence Policy, as approved by the Board on 25 April 2016, the AC carried out an annual review of the performance of the External Auditors including the assessment of their suitability, objectivity and independence. The AC was satisfied with EY's performance for FY 2018 in the three areas comprising of quality of audit services provided, sufficiency of audit resources, and communication & interactions, and recommended to the Board the re-appointment of EY as the External Auditors of Bursa Malaysia Group for FY 2019.

With the shareholders' approval of the appointment of EY as External Auditors for FY 2019 on 28 March 2019, Dato' Megat Iskandar Shah bin Mohamad Nor of EY, being the lead engagement partner for the fifth year in 2019, presented the auditors' review reports on the unaudited quarterly financial statements together with that of the relevant cumulative quarters in accordance with the International Standard on Review

Engagements (ISRE) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" at the quarterly AC meetings in 2019 and January 2020.

e. With reference to Clause 5 of the Auditor Independence (AI) Policy of Bursa Malaysia Group, the AC's approval was sought on 22 August 2019 for the fees of an unplanned special audit to be conducted by EY on the Condensed Financial Statements of Bursa Malaysia Derivatives Berhad (BMD) and its subsidiary, Bursa Malaysia Derivatives Clearing Berhad (BMDC) for the financial period from 1 January 2019 to 31 March 2019. This was to determine the Put Option Price for the disposal of its 25% equity interest in BMD by CME Group Strategic Investments LLC (CMEGSI) to Bursa Malaysia.

The AC reviewed the draft Condensed Financial Statements of BMD and BMDC and the audit report as presented by EY and further recommended the same for the respective Boards' approvals. The AC also resolved to approve the fees for EY, as this was a one-off engagement, non-recurring in nature and unlikely to create any conflict of interest.

The AC further requested EY to conduct a limited review of BMD and BMDC financial results from 1 January 2019 to 30 September 2019, to ascertain the Additional Sum payable as part of the settlement amount to CMEGSI for the acquisition by Bursa Malaysia of the 25% equity interest in BMD.

f. On 22 October 2019, the AC reviewed the External Auditors' FY 2019 Audit Plan Memorandum outlining their scope of work and the proposed fees for the statutory audit, together with assurance-related fees for limited reviews of the four quarterly condensed consolidated financial statements, and review of the SICRM in accordance with the International Standard on Assurance Engagements 3000 Assurance Engagements other than Audits or Reviews of Historical Financial Information and Audit & Assurance Practice Guide 3 – Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report as issued by the MIA. The AC recommended the proposed audit fees for the Board's approval and the same was approved by the Board on 29 October 2019.

EY in its FY 2019 Audit Plan Memorandum also presented to the AC the names of its engagement team, audit timeline, the areas of audit emphasis, and their focus on key audit matters with reference to the International Standard on Auditing 701. The AC upon due deliberation approved the FY 2019 Audit Plan Memorandum for implementation in accordance with the audit timeline.

The AC had on 22 October 2019 also reviewed the proposed amendments to the Auditor Independence Policy which was previously approved by the Board on 25 April 2016. The proposed amendments to the Auditor Independence Policy were to align the Policy with the latest prevailing Malaysian Institute of Accountants (MIA) By-Laws on professional ethics, conduct and practice. The AC deliberated and recommended the proposed amendments for the Board's approval and the same was duly approved by the Board on 28 November 2019.

g. The AC had two private meetings with the External Auditors in January and October 2019 respectively, without the presence of the CEO, Management, and Internal Auditors. The AC enquired about the Management's and staff's co-operation with the External Auditors, their sharing of information and the proficiency and adequacy of resources in financial reporting functions, particularly in relation to the compliance with applicable MFRSs. The AC viewed coordination and sharing of information and feedback amongst the External Auditors, Finance and Internal Audit personnel would continuously improve and maximise efficiency in audits. On this, EY's audit personnel are also invited to participate in Bursa Malaysia's seminars/events (e.g. new product launches, regulatory changes, etc.) which are mutually beneficial to increase their knowledge and understanding of the activities and products of Bursa Malaysia and its subsidiaries. The AC Chairman also reiterated to the External Auditors to contact him at any time should they be aware of incidents or matters in the course of their audits or reviews that needed his attention or that of the AC or the Board.

h. With reference to the revised Auditor Independence Policy as approved by the Board on 28 November 2019, the lead engagement partner and quality control review partner who are responsible for the financial statements of Bursa Malaysia Group will be subject

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to a seven-year rotation with a five-year cooling-off period. Dato' Megat Iskandar Shah bin Mohamad Nor became the lead engagement partner in 2015 and will be due for rotation in 2022. The quality control review partner, Mr. Yeo Beng Yean appointed in 2016 will be due for rotation in 2023.

i. In accordance with the revised AI Policy, the AC had on 29 January 2020, undertaken an annual assessment of the quality of audit which encompassed the performance of EY, the quality of EY's communications with the AC and Bursa Malaysia, and EY's independence, objectivity and professionalism.

Assessment questionnaires were used as a tool to obtain input from Bursa Malaysia personnel who had substantial contact with the external audit team throughout the year. EY's performance was rated using a five-point scale on their ability to provide advice, suggestions or clarifications relating to the presentation of financial statements, ability to provide realistic analysis of issues using technical knowledge and independent judgment, and maintain active engagement, through both verbal and written communication during the audit process, as well as their responsiveness to issues.

With regard to the observations by Bursa Malaysia's personnel on the external audit team, the AC also took into account the assessment of the lead engagement partner and engagement team's performance based on the two private meetings held between the AC and the External Auditors in October 2019 and January 2020. The AC was satisfied with the openness in communication and interaction with the lead engagement partner and engagement team, which demonstrated their independence, objectivity and professionalism.

j. Further information on the assessment of suitability, objectivity and independence of the External Auditors by the AC are provided in the CG Report in accordance with Practice 8.3 of the MCGG.

k. On 29 January 2020, the CFO reported that the non-audit fees incurred in FY 2019 amounted to RM261,300, constituting approximately 39.9% of the total audit remuneration of RM655,300 to the External Auditors for FY 2019. The non-recurring non-audit services rendered in FY 2019 included the one-off special

## AUDIT COMMITTEE REPORT

audit and limited review of BMD and BMDC for the purpose of acquisition of 25% equity interest in BMD from CMEGSI, and confirmation of the Additional Sum payable to CMEGSI, which constituted approximately 11.3% of the total audit remuneration to the External Auditors.

The CFO also sought the AC's approval for the proposed audit and non-audit services to be provided by the External Auditors for FY 2020.

- I. On 29 January 2020, EY in its presentation of the External Auditors' report to the AC provided a written assurance that they had been independent throughout the audit engagement in accordance with the terms of all relevant professional and regulatory requirements in respect of the audited financial statements of the Group for FY 2019.

### 3. Internal Audit

- a. The IA team conducted the audit work as per the 2019 Annual Audit Plan approved by the AC on 13 December 2018. The Head of IA, namely Mazliana Mohamad and departmental heads of the respective IA functions presented the IA reports at each of the AC meetings during the year. The 2019 Annual Audit Plan was reviewed on a quarterly basis or as required to reflect the developments that have had an impact on its coverage. A total of 48 audit engagements were completed in 2019.
  - Commercial;
  - Operations;
  - Regulation;
  - Technology & Information Management;
  - Other Functional Units – Human Resources, and Finance & Corporate Services.
- b. The annual plan was developed through a comprehensive planning process that identifies and prioritizes possible auditable areas to be part of the audit coverage for the year. The identified key audit areas in 2019 were as follows:
  - Commercial;
  - Operations;
  - Regulation;
  - Technology & Information Management;
  - Other Functional Units – Human Resources, and Finance & Corporate Services.
- c. In addition to the engagement reports, IA updated the AC on its work at every AC meeting comprising the progress of the 2019 Annual Audit Plan and its key initiatives for 2019 which included quality assurance and continuous improvement programmes.

- d. The AC at its first meeting on 28 January 2019 reviewed and approved the 2018 IA Divisional Scorecard results. IA's divisional scorecard included the results of IA's Customer Satisfaction Survey for 2018, based on the responses of the AC members and senior management via questionnaires, which aimed to gauge the level of satisfaction with the IA roles and services, Internal Auditors' competency and professionalism as well as their independence and objectivity. The results indicated that IA's performance for 2018 met the AC's expectations.

The AC also assessed the performance of the Head of IA based on the performance of the Corporate Scorecard, IA Divisional Scorecard results and competencies. The outcome of the Head of IA's performance assessment was then submitted to the Nomination and Remuneration Committee (NRC) for determination of her reward allocation.

- e. At the second AC Meeting held on 24 April 2019, IA presented to the AC the 2018 Bursa Malaysia's Internal Controls Assessment Report which provided the results of the overall assessment of the internal control systems within the Group as well as the exceptions and root cause analysis. Based on the engagements carried out in 2018, IA reported that the overall internal control assessment for the Group was adequate.
- f. The proposed 2019 IA Scorecard which was developed in accordance to the framework developed by Human Resources with regards to the scorecard perspectives and weightages. In the course of review, the AC had on 24 April 2019 reviewed and gave its feedback to the proposed 2019 IA Scorecard. The 2019 IA Scorecard was subsequently approved by the AC after further due deliberation.
- g. The AC at its third meeting on 25 July 2019 reviewed the verification exercise of share grants under Bursa Malaysia's Share Grant Plan (SGP), which comprised two components: the Restricted Share Plan (RSP) for employees at Grade E7 and above, and the Performance Share Plan (PSP) for key management personnel. The AC concurred that the vesting of shares under the SGP, which included the following:
  - The adjustments of the unvested Bursa Malaysia shares pursuant to the bonus issue was based on one bonus share for every two existing Bursa

Malaysia shares as approved by the shareholders during the Extraordinary General Meeting of Bursa Malaysia held on 28 March 2018.

- The vesting of Plan Shares for the 2016, 2017 and 2018 RSP Grants on 15 July 2019.

In addition, the AC took note that the 2016 PSP Grant was forfeited, as the performance qualifier was not met.

- h. At the same meeting held on 25 July 2019, the AC reviewed the mid-year results of the 2019 IA Scorecard which was presented by the Director of Human Resources together with the Director of IA.
- i. In line with the AC's recommendation for EY to use the services of certain IA personnel of Bursa Malaysia in the course of conducting their 2019 audit, two IA personnel were selected to participate and, carry out their tasks under the direct supervision of the EY's audit engagement team. This collaborative effort aids the transfer of knowledge and upskilling of Bursa Malaysia's IA function without compromising EY's independence. EY had included the areas of collaboration and extent of involvement of the selected IA members in its 2019 Audit Plan Memorandum as presented to the AC for consideration on 22 October 2019.
- j. At the fourth AC meeting held on 22 October 2019, IA presented the 'Framework on the Audit of Outsourced Service Providers' to provide guidance on the risk-based approach for the audit of outsourcing service providers of Bursa Malaysia and to establish consistency in the conduct of the audit engagements.
- k. At the fifth AC meeting held on 21 November 2019, the AC deliberated and approved IA's 2020 Business Plan with the aim of enhancing the IA function in terms of its capabilities, scope & coverage, value-delivery and stakeholder management.
- l. At the same meeting held on 21 November 2019, the AC also approved IA's Audit Plan 2020 covering identified auditable areas using risk-based audit planning focusing on key areas such as Commercial, Operations, Regulation, Support functions, IT systems/application, IT functional areas, Outsourced Service

Providers and Project Assurance Reviews. Thematic reviews such as cloud security, cyber security and third party risk management are also included as part of the IA's Audit Plan 2020.

In accordance with the TOR of the AC, the AC further deliberated on the plan and budget for the IA function in 2020 and approved an additional resource in view of the requirements for the audits/ reviews of third parties and outsourced service providers and anticipated project assurance reviews.

- m. The AC deliberated upon and approved the proposed approach in the annual verification of the Sustainability Report 2019 which was prepared in accordance to the Global Reporting Initiative Standards that was issued by the Global Sustainability Standards Board.
- n. An external consultant was appointed to conduct an independent Quality Assessment Review (QAR), which is done at least once every five years, in conformance with the Institute of Internal Auditors (IIA) Standard 1312 – External Assessments) of the International Standards for the Professional Practice of Internal Auditing. The first independent QAR was conducted in September 2014.

On 21 November 2019, the external consultant presented to the AC the outcome of its assessment that IA achieved the 'Generally Conforms' rating to the key elements of the International Standards for the Professional Practice of Internal Auditing promulgated by The Institute of Internal Auditors (Global), IIA's Code of Ethics, as well as its Definition of Internal Auditing, Audit Charter, Policies, Manual and Procedures.

As part of the QAR, the external consultant has also conducted a benchmarking survey based on their global IA assessment 5P/Tier Structure Matrix Framework and the IA's capability maturity was found to be at par with the other Exchanges from the Asia Pacific Region that participated in the benchmarking exercise.

- o. At the AC meeting on 29 January 2020, IA confirmed its organisational independence to the AC, where the Head of IA and all the internal auditors had signed the annual declarations that they were and had been independent, objective and in compliance with the Code of Ethics of

## AUDIT COMMITTEE REPORT

Bursa Malaysia and The Institute of Internal Auditors (Global) in carrying out their duties for the 2019. This annual declaration included the non-financial conflict of interest declaration of each individual IA staff. The AC is satisfied that the IA function is effective and able to function independently.

- p. On 29 January 2020, the AC reviewed the SICRM for publication in the Integrated Annual Report 2019.

### INTERNAL AUDIT FUNCTION

The mission of IA is to enhance and protect organizational value of Bursa Malaysia Group by providing risk-based and objective assurance, advice and insight. IA helps Bursa Malaysia to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, controls, and governance processes.

The IA reports functionally to the AC and administratively to the CEO. To ensure that the responsibilities of IA are fully discharged in accordance with the International Standards for the Professional Practice of Internal Auditing, the AC reviews the adequacy of the scope and resources of the IA function as well as the competency and experience of the internal auditors.

Further information on the resources, objectivity and independence of the Director of IA and internal auditors are provided in the CG Report in accordance with Practice 10.2 of the MCCG.

The IA engagements were carried out based on an annual audit plan approved by the AC. The results of the audits in the IA reports were reviewed by the AC. The relevant Management members were made responsible for ensuring that corrective actions on reported weaknesses were taken within the required timeframes. IA conducted follow-up audits on key engagements to ensure that the corrective actions were implemented appropriately.

The IA also leverages on the report received annually from the Chicago Mercantile Exchange Group's (CME) Independent Service Auditor (RSM US LLP) - Service Organisation Control 1 Report on Controls Placed in Operation and Tests of Operating Effectiveness relevant to the CME Globex Trading, CME ClearPort and CME Clearing Services. This report is received annually due to the listing of all of Bursa Malaysia Derivatives' products on the CME's Globex Trading Platform and it is also shared with the external auditors, EY. The CME's independent service auditors examine and express their opinion on CME's description of its trade matching and clearing services system for processing transactions for user entities and the suitability of the design and operating effectiveness of controls in achieving the related control objectives. IA communicates and engages with CME's independent service auditor for further information if necessary.

The total costs incurred by IA in discharging its functions and responsibilities in 2019 amounted to RM3,615,722 as compared to RM3,168,386 in 2018. The 2019 costs include the consulting fees incurred for two independent assessments on Cyber Security and QAR amounting to RM298,390 (2018: RM57,250 for Cyber Security Assessment).

# section 05

## Additional Information

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## LIST OF PROPERTIES OWNED BY BURSA MALAYSIA GROUP

AS AT 31 DECEMBER 2019

No.	Location	Postal address	Description	Current use	Tenure	Remaining lease period (expiry date)	Age of building	Land area/ Built-up area (sq. metres)	Date of acquisition	Net book value as at 31 December 2019 RM'000
1.	Geran No. 28936 Lot No. 520 (formerly P.T.8) Section 19, Town and District of Kuala Lumpur	Exchange Square, Bukit Kewangan, 50200 Kuala Lumpur	16-storey office building with 5-level basement car park and a lower level car park known as the Main Building	Office	Leasehold*	73 years (14 April 2092)	22 years	7,144 / 71,347	August 1997	107,594
2.	Geran No. 28938 Lot No. 522 (formerly P.T.10) Section 19, Town and District of Kuala Lumpur	Exchange Square, Bukit Kewangan, 50200 Kuala Lumpur	2-storey office cum exposition building with 2-level basement car park known as the Annexe Building	Office	Leasehold*	76 years (28 February 2095)	21 years	9,314 / 38,609	March 1998	37,208
3.	Lot 5.0 to 8.0, No. Berdaftar Geran 17768/ M1/4/5 to 8 Bangunan No. M1 Lot No. 51452, Mukim of Kuala Lumpur Daerah Wilayah Persekutuan	4 <sup>th</sup> Floor, Wisma Chase Perdana, Off Jalan Semantan, Damansara Heights, 50490 Kuala Lumpur	Four office units on the 4 <sup>th</sup> Floor of a 12-storey office building	Office	Freehold	N/A	36 years	N/A / 3,355	May 1998	7,718

\* The buildings are on freehold land which has been leased to Bursa Malaysia Berhad by the Federal Land Commissioner for a period of 99 years.

## STATISTICS OF SHAREHOLDINGS

AS AT 31 JANUARY 2020

### A. ISSUED SHARES OF THE COMPANY

The total number of issued shares of the Company stands at 808,503,121 ordinary shares, with voting rights of one vote per ordinary share.

The changes in the number of issued shares of the Company from 807,474,671 ordinary shares since 12 July 2018 to 808,503,121 ordinary shares as at 31 January 2020 are as set out in the table below:

Date of Allotment	Number of Shares Allotted	Consideration	Total Number of Issued Shares
11 July 2019	422,850	Subscription by the Trustee at RM5.02 per share under the Share Grant Plan (SGP)	807,897,521
	281,100	Subscription by the Trustee at RM6.48 per share under the SGP	808,178,621
	9,600	Subscription by the Trustee at RM6.22 per share under the SGP	808,188,221
	302,100	Subscription by the Trustee at RM7.16 per share under the SGP	808,490,321
	6,400	Subscription by the Trustee at RM6.89 per share under the SGP	808,496,721
	6,400	Subscription by the Trustee at RM6.62 per share under the SGP	808,503,121

### B. ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders		Total No. of Shareholders		No. of Issued Shares		Total No. of Issued Shares	
	Malaysian	Foreigner	No.	%	Malaysian	Foreigner	No.	%
1 - 99	429	8	437	1.87	6,818	163	6,981	0.00
100 - 1,000	5,024	81	5,105	21.83	3,319,886	47,051	3,366,937	0.42
1,001 - 10,000	14,119	305	14,424	61.69	49,073,435	1,287,750	50,361,185	6.23
10,001 - 100,000	2,774	240	3,014	12.89	70,411,880	8,138,373	78,550,253	9.72
100,001 - less than 5% of issued shares	291	108	399	1.71	245,623,092	128,107,581	373,730,673	46.22
5% and above of issued shares	3	0	3	0.01	302,487,092	0	302,487,092	37.41
<b>Total</b>	<b>22,640</b>	<b>742</b>	<b>23,382</b>	<b>100.00</b>	<b>670,922,203</b>	<b>137,580,918</b>	<b>808,503,121</b>	<b>100.00</b>

### C. ANALYSIS OF EQUITY STRUCTURE

No.	Category of Shareholders	No. of Shareholders		No. of Issued Shares		% of Issued Shares		
		Malaysian	Foreigner	Malaysian	Foreigner	Malaysian	Foreigner	
1.	Individual		18,940	387	122,775,203	4,898,479	15.19	0.61
2.	Body Corporate							
	a. Banks/finance companies		45	0	110,202,237	0	13.63	0.00
	b. Investment trust/foundation/charities		8	0	293,000	0	0.04	0.00
	c. Industrial and commercial companies		244	11	20,480,343	606,750	2.53	0.07
3.	Government agencies/institutions		3	0	254,296,351	0	31.45	0.00
4.	Nominees		3,399	344	162,860,069	132,075,689	20.14	16.34
5.	Others		1	0	15,000	0	0.00	0.00
	<b>Total</b>		<b>22,640</b>	<b>742</b>	<b>670,922,203</b>	<b>137,580,918</b>	<b>82.98</b>	<b>17.02</b>

**STATISTICS OF SHAREHOLDINGS**

AS AT 31 JANUARY 2020

**D. TOP 30 SECURITIES ACCOUNT HOLDERS**

No.	Name	No. of Issued Shares	% of Issued Shares
1.	Capital Market Development Fund	*150,300,001	18.59
2.	Kumpulan Wang Persaraan (Diperbadankan)	**103,669,550	12.82
3.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	51,827,141	6.41
4.	Amanahraya Trustees Berhad Amanah Saham Bumiputera	27,363,500	3.38
5.	Permodalan Nasional Berhad	17,299,300	2.14
6.	Cartaban Nominees (Tempatan) Sdn Bhd PAMB for Prulink Equity Fund	15,137,250	1.87
7.	Amanahraya Trustees Berhad Amanah Saham Malaysia 2 – Wawasan	15,000,000	1.86
8.	DB (Malaysia) Nominee (Asing) Sdn Bhd SSBT Fund KG33 for Invesco Asia Pacific Growth Fund	11,494,850	1.42
9.	Amanahraya Trustees Berhad Amanah Saham Malaysia 3	10,530,000	1.30
10.	The Nomad Group Bhd	9,109,092	1.13
11.	Pertubuhan Keselamatan Sosial	8,809,200	1.09
12.	HSBC Nominees (Asing) Sdn Bhd JPMCB NA for Vanguard Total International Stock Index Fund	8,324,608	1.03
13.	HSBC Nominees (Asing) Sdn Bhd JPMCB NA for Vanguard Emerging Markets Stock Index Fund	7,785,000	0.96
14.	HSBC Nominees (Asing) Sdn Bhd JPMBL SA for Stichting Depository APG Emerging Markets Equity Pool	6,725,700	0.83
15.	Citigroup Nominees (Asing) Sdn Bhd CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	6,460,100	0.80
16.	Cartaban Nominees (Asing) Sdn Bhd Exempt AN for State Street Bank & Trust Company (West CLT OD67)	6,265,150	0.78
17.	Citigroup Nominees (Tempatan) Sdn Bhd Exempt AN for AIA Bhd.	4,692,400	0.58
18.	Amanahraya Trustees Berhad Amanah Saham Bumiputera 2	4,595,000	0.57
19.	HSBC Nominees (Asing) Sdn Bhd JPMBL SA for JPMorgan Funds	4,445,500	0.55
20.	Citigroup Nominees (Asing) Sdn Bhd CBNY for DFA Emerging Markets Small Cap Series	4,205,300	0.52
21.	Cartaban Nominees (Tempatan) Sdn Bhd PAMB for Prulink Equity Focus Fund	3,998,900	0.50
22.	HSBC Nominees (Asing) Sdn Bhd JPMCB NA for Forsta AP – Fonden	3,911,250	0.48
23.	Citigroup Nominees (Asing) Sdn Bhd CBNY for Norges Bank (FI 17)	3,600,055	0.45
24.	Cartaban Nominees (Tempatan) Sdn Bhd PAMB for Prulink Equity Income Fund	3,484,900	0.43

**STATISTICS OF SHAREHOLDINGS**

AS AT 31 JANUARY 2020

**D. TOP 30 SECURITIES ACCOUNT HOLDERS (cont'd.)**

No.	Name	No. of Issued Shares	% of Issued Shares
25.	HSBC Nominees (Asing) Sdn Bhd JPMBL SA for Schroder International Selection Fund	3,471,050	0.43
26.	Amanahraya Trustees Berhad ASN Umbrella for ASN Equity 3	3,431,400	0.42
27.	Amanahraya Trustees Berhad Public Islamic Select Treasures Fund	3,409,700	0.42
28.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Affin Hwang Select Opportunity Fund (3969)	3,168,800	0.39
29.	Citigroup Nominees (Asing) Sdn Bhd Exempt AN for Citibank New York (Norges Bank 1)	3,167,924	0.39
30.	Citigroup Nominees (Tempatan) Sdn Bhd Great Eastern Life Assurance (Malaysia) Berhad (PAR 3)	2,900,000	0.36
<b>Total</b>		<b>508,582,621</b>	<b>62.90</b>

Note: This includes \*50,000 ordinary shares placed by CMDF and \*\*17,800 ordinary shares placed by KWAP under the Securities Borrowing and Lending Arrangement

**E. SUBSTANTIAL SHAREHOLDERS ACCORDING TO THE REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 31 JANUARY 2020**

No.	Name	No. of Issued Shares	% of Issued Shares
1.	Capital Market Development Fund (CMDF)	*150,300,001	18.59
2.	Kumpulan Wang Persaraan (Diperbadankan) (KWAP)	**103,669,550	12.82
3.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	51,827,141	6.41

Note: This includes \*50,000 ordinary shares placed by CMDF and \*\*17,800 ordinary shares placed by KWAP under the Securities Borrowing and Lending Arrangement

STATISTICS OF SHAREHOLDINGS  
AS AT 31 JANUARY 2020

F. DIRECT AND DEEMED INTERESTS IN THE COMPANY AND/OR ITS RELATED CORPORATIONS

1. DIRECTORS

The interests of the Directors in the shares of the Company as at 31 January 2020 including those of his/her spouse and child/children which are deemed interests of the Directors by reference to Section 59(11)(c) of the Companies Act 2016 are maintained by the Company in the Register of Directors' Shareholdings pursuant to Section 59 of the Companies Act 2016, details of which are as follows:

Name of Directors	Direct Interest		Deemed Interest		
	No. of Issued Shares	% of Issued Shares	Spouse	Child	% of Issued Shares
			No. of Issued Shares	No. of Issued Shares	
Datuk Shireen Ann Zaharah binti Muhiudeen	0	0.00	-	-	-
Datuk Muhamad Umar Swift	0	0.00	-	-	-
Johari bin Abdul Muid	0	0.00	-	-	-
Datin Mariam Prudence binti Yusof	28,500	0.004	-	-	-
Datuk Karownikaran @ Karunikaran a/l Ramasamy	0	0.00	-	-	-
Pushpanathan a/l S.A. Kanagarayar	0	0.00	-	-	-
Datin Grace Yeoh Cheng Geok	0	0.00	-	-	-
Chong Chye Neo	0	0.00	-	-	-
Uji Sherina binti Abdullah	0	0.00	-	-	-
Professor Joseph Cherian	0	0.00	-	-	-
<b>Total</b>	<b>28,500</b>	<b>0.004</b>	<b>-</b>	<b>-</b>	<b>-</b>

2. KEY SENIOR MANAGEMENT

The changes in interests of the Key Senior Management are due to the vesting of the shares granted under the Share Grant Plan ("SGP") of Bursa Malaysia ("Plan Shares"). There was no trading of Bursa Malaysia shares. Their shareholdings in the Company as at 31 January 2020 including their indirect/deemed interests, are as follows:

Name of Personnel	Number of Bursa Shares held as at 31.01.19	Vesting of Restricted Share Plan ("RSP") Grants on 15.07.19	Direct Interest		Deemed Interest	
			No. of Issued Shares	% of Issued Shares	Spouse	Child
					No. of Issued Shares	No. of Issued Shares
Selvarany Rasiah*	130,350	18,600	148,950	0.018	-	-
Datin Azalina binti Adham*	187,500	16,650	204,150	0.025	-	-
Yew Yee Tee**	214,050	13,500	227,550	0.028	-	-
Rosidah binti Baharom	226,650	13,800	240,450	0.030	-	-
Samuel Ho Hock Guan	0	0	0	0.000	-	-
Mahdzir bin Othman	0	3,900	3,900	0.001	-	-
<b>Total</b>			<b>825,000</b>	<b>0.102</b>	<b>-</b>	<b>-</b>

STATISTICS OF SHAREHOLDINGS  
AS AT 31 JANUARY 2020

Note: \* Non-renewal of fixed term contract due to cessation of the Chief Commercial Officer and Chief Operating Officer positions under the new organisation structure of the Company which took effect from 1 January 2020

\*\* Non-renewal of fixed term contract

The vesting of Plan Shares for the 2017 and 2018 RSP Grants and Performance Share Plan ("PSP") Grants under the SGP is subject to fulfilment of vesting conditions as at the vesting dates on 15 July 2020 and 13 April 2021 in accordance with the SGP By-Laws.

In addition, the vesting of Plan Shares for the 2017 and 2018 PSP Grants under the SGP is contingent on achievements against various performance targets for Bursa Malaysia group.

G. SHARE GRANT PLAN (SGP)

Under the SGP which is the only share issuance scheme of Bursa Malaysia in the financial year ("FY") 2019, a maximum of 10% of the issued and paid-up share capital of Bursa Malaysia (excluding treasury shares) comprising ordinary shares of the Company ("Plan Shares") are available at any point in time during the tenure of the SGP (Maximum Plan Shares Available). Further information on the SGP is set out in the Directors' Report and Note 30(b) of the Audited Financial Statements for FY 2019 in this report.

Brief details on the number of Plan Shares granted, vested and outstanding since the commencement of the SGP on 18 April 2011 and during the FY 2011, FY 2012, FY 2013, FY 2014, FY 2015, FY 2016, FY 2017, FY 2018 and FY 2019 (with the exception of no share grant in FY 2019) are set out in the tables below:

For the period from 18 April 2011 to 31 December 2011			Executive	Senior	Other Selected
Type of Grant	Total	Director/CEO	Management	Employees	
Number of Plan Shares granted	2011 RSP Grant 778,200	-	34,900	743,300	
Number of Plan Shares vested	2011 RSP Grant (199,800)	-	(9,000)	(190,800)	
Number of Plan Shares forfeited	2011 RSP Grant* (37,300)	-	(5,200)	(32,100)	
Number of Plan Shares outstanding as at 31 December 2011					
2011 RSP Grant	541,100	-	20,700	520,400	

STATISTICS OF SHAREHOLDINGS  
AS AT 31 JANUARY 2020

G. SHARE GRANT PLAN (SGP) (cont'd.)

For the period from 1 January 2012 to 31 December 2012			Executive	Senior	Other Selected
Type of Grant	Total	Director/CEO	Management	Employees	
Number of Plan Shares granted	2012 RSP Grant	829,200	270,200	29,200	529,800
	2012 PSP Grant	397,400	59,400	146,000	192,000
	<b>Total</b>	<b>1,226,600</b>	<b>329,600</b>	<b>175,200</b>	<b>721,800</b>
Number of Plan Shares vested	2011 RSP Grant	(174,700)	-	(6,600)	(168,100)
	2012 RSP Grant	(250,000)	(250,000)	-	-
	<b>Total</b>	<b>(424,700)</b>	<b>(250,000)</b>	<b>(6,600)</b>	<b>(168,100)</b>
Number of Plan Shares forfeited	2011 RSP Grant*	(59,400)	-	(1,700)	(57,700)
	2012 RSP Grant*	(30,500)	-	-	(30,500)
	2012 PSP Grant*	(17,800)	-	(17,800)	-
	<b>Total</b>	<b>(107,700)</b>	<b>-</b>	<b>(19,500)</b>	<b>(88,200)</b>
Number of Plan Shares outstanding as at 31 December 2012	2011 RSP Grant	307,000	-	12,400	294,600
	2012 RSP Grant	548,700	20,200	29,200	499,300
	2012 PSP Grant	379,600	59,400	128,200	192,000
	<b>Total</b>	<b>1,235,300</b>	<b>79,600</b>	<b>169,800</b>	<b>985,900</b>
For the period from 1 January 2013 to 31 December 2013			Executive	Senior	Other Selected
Type of Grant	Total	Director/CEO	Management	Employees	
Number of Plan Shares granted	2013 RSP Grant	1,374,700	278,800	100,300	995,600
	2013 PSP Grant	475,000	63,600	200,600	210,800
	<b>Total</b>	<b>1,849,700</b>	<b>342,400</b>	<b>300,900</b>	<b>1,206,400</b>
Number of Plan Shares vested	2011 RSP Grant	(154,500)	-	(6,200)	(148,300)
	2012 RSP Grant	(183,500)	(6,800)	(10,000)	(166,700)
	2013 RSP Grant	(250,000)	(250,000)	-	-
	<b>Total</b>	<b>(588,000)</b>	<b>(256,800)</b>	<b>(16,200)</b>	<b>(315,000)</b>
Number of Plan Shares forfeited	2011 RSP Grant*	(12,600)	-	-	(12,600)
	2012 RSP Grant*	(33,900)	-	-	(33,900)
	2012 PSP Grant*	(155,800)	-	(63,400)	(92,400)
	2013 RSP Grant*	(28,500)	-	-	(28,500)
	<b>Total</b>	<b>(230,800)</b>	<b>-</b>	<b>(63,400)</b>	<b>(167,400)</b>
Number of Plan Shares outstanding as at 31 December 2013	2011 RSP Grant	139,900	-	6,200	133,700
	2012 RSP Grant	331,300	13,400	19,200	298,700
	2012 PSP Grant	223,800	59,400	64,800	99,600
	2013 RSP Grant	1,096,200	28,800	100,300	967,100
	2013 PSP Grant	475,000	63,600	200,600	210,800
	<b>Total</b>	<b>2,266,200</b>	<b>165,200</b>	<b>391,100</b>	<b>1,709,900</b>

Note: \* These Plan Shares were forfeited as they were granted to employees who resigned subsequent to the grant date(s), but prior to vesting date(s).

∞ A portion of 2012 PSP Grant was forfeited, as the performance targets in respect of performance period from 2011 to 2013 were not achieved

STATISTICS OF SHAREHOLDINGS  
AS AT 31 JANUARY 2020

G. SHARE GRANT PLAN (SGP) (cont'd.)

For the period from 1 January 2014 to 31 December 2014			Executive	Senior	Other Selected
Type of Grant	Total	Director/CEO	Management	Employees	
Number of Plan Shares granted	2014 RSP Grant	1,478,000	278,800	100,300	1,098,900
	2014 PSP Grant	449,600	63,600	200,600	185,400
	<b>Total</b>	<b>1,927,600</b>	<b>342,400</b>	<b>300,900</b>	<b>1,284,300</b>
Number of Plan Shares vested	2011 RSP Grant	(134,800)	-	(4,800)	(130,000)
	2012 RSP Grant	(166,800)	(6,700)	(8,400)	(151,700)
	2013 RSP Grant	(356,400)	(9,600)	(27,600)	(319,200)
	2014 RSP Grant	(250,000)	(250,000)	-	-
	<b>Total</b>	<b>(908,000)</b>	<b>(266,300)</b>	<b>(40,800)</b>	<b>(600,900)</b>
Number of Plan Shares forfeited	2011 RSP Grant*	(5,100)	-	(1,400)	(3,700)
	2012 RSP Grant*	(15,900)	-	(2,500)	(13,400)
	2012 PSP Grant*	(8,400)	-	(8,400)	-
	2013 RSP Grant*	(78,700)	-	(17,700)	(61,000)
	2013 PSP Grant*	(35,400)	-	(35,400)	-
	2014 RSP Grant*	(44,700)	-	-	(44,700)
	<b>Total</b>	<b>(188,200)</b>	<b>-</b>	<b>(65,400)</b>	<b>(122,800)</b>
Number of Plan Shares outstanding as at 31 December 2014	2011 RSP Grant	-	-	-	-
	2012 RSP Grant	148,600	6,700	8,300	133,600
	2012 PSP Grant	215,400	59,400	56,400	99,600
	2013 RSP Grant	661,100	19,200	55,000	586,900
	2013 PSP Grant	439,600	63,600	165,200	210,800
	2014 RSP Grant	1,183,300	28,800	100,300	1,054,200
	2014 PSP Grant	449,600	63,600	200,600	185,400
	<b>Total</b>	<b>3,097,600</b>	<b>241,300</b>	<b>585,800</b>	<b>2,270,500</b>

Note: \* These Plan Shares were forfeited as they were granted to employees who resigned subsequent to the grant date(s), but prior to vesting date(s).

STATISTICS OF SHAREHOLDINGS AS AT 31 JANUARY 2020

G. SHARE GRANT PLAN (SGP) (cont'd.)

For the period from 1 January 2015 to 31 December 2015			Executive Director/CEO	Senior Management	Other Selected Employees
	Type of Grant	Total			
Number of Plan Shares granted	2015 RSP Grant	1,369,200	269,200	106,200	993,800
	2015 PSP Grant	464,600	42,400	212,400	209,800
	<b>Total</b>	<b>1,833,800</b>	<b>311,600</b>	<b>318,600</b>	<b>1,203,600</b>
Number of Plan Shares vested	2012 RSP Grant	(145,700)	(6,700)	(8,300)	(130,700)
	2013 RSP Grant	(322,000)	(9,600)	(27,500)	(284,900)
	2014 RSP Grant	(376,800)	(9,600)	(33,400)	(333,800)
	2015 RSP Grant	(250,000)	(250,000)	-	-
	<b>Total</b>	<b>(1,094,500)</b>	<b>(275,900)</b>	<b>(69,200)</b>	<b>(749,400)</b>
Number of Plan Shares forfeited	2012 RSP Grant*	(2,900)	-	-	(2,900)
	2012 PSP Grant <sup>◊</sup>	(215,400)	(59,400)	(56,400)	(99,600)
	2013 RSP Grant*	(28,900)	-	(3,900)	(25,000)
	2013 PSP Grant*	(23,600)	-	(23,600)	-
	2014 RSP Grant*	(65,200)	-	(7,900)	(57,300)
	2014 PSP Grant*	(23,600)	-	(23,600)	-
	2015 RSP Grant*	(23,200)	-	(11,800)	(11,400)
	2015 PSP Grant*	(23,600)	-	(23,600)	-
	<b>Total</b>	<b>(406,400)</b>	<b>(59,400)</b>	<b>(150,800)</b>	<b>(196,200)</b>
Number of Plan Shares outstanding as at 31 December 2015	2012 RSP Grant	-	-	-	-
	2012 PSP Grant	-	-	-	-
	2013 RSP Grant	310,200	9,600	23,600	277,000
	2013 PSP Grant	416,000	63,600	141,600	210,800
	2014 RSP Grant	741,300	19,200	59,000	663,100
	2014 PSP Grant	426,000	63,600	177,000	185,400
	2015 RSP Grant	1,096,000	19,200	94,400	982,400
	2015 PSP Grant	441,000	42,400	188,800	209,800
<b>Total</b>	<b>3,430,500</b>	<b>217,600</b>	<b>684,400</b>	<b>2,528,500</b>	

Note: \* These Plan Shares were forfeited as they were granted to employees who resigned subsequent to the grant date(s), but prior to vesting date(s).

◊ The remaining portion of 2012 PSP Grant was forfeited, as the performance targets in respect of performance period from 2012 to 2014 were not achieved.

STATISTICS OF SHAREHOLDINGS AS AT 31 JANUARY 2020

G. SHARE GRANT PLAN (SGP) (cont'd.)

For the period from 1 January 2016 to 31 December 2016			Executive Director/CEO	Senior Management	Other Selected Employees
	Type of Grant	Total			
Number of Plan Shares granted	2016 RSP Grant	1,317,300	269,200	92,000	956,100
	2016 PSP Grant	312,200	42,400	184,000	85,800
	<b>Total</b>	<b>1,629,500</b>	<b>311,600</b>	<b>276,000</b>	<b>1,041,900</b>
Number of Plan Shares vested	2013 RSP Grant	(298,700)	(9,600)	(23,600)	(265,500)
	2013 PSP Grant	(416,000)	(63,600)	(141,600)	(210,800)
	2014 RSP Grant	(350,500)	(9,600)	(29,500)	(311,400)
	2015 RSP Grant	(342,900)	(6,400)	(31,400)	(305,100)
	2016 RSP Grant	(250,000)	(250,000)	-	-
	<b>Total</b>	<b>(1,658,100)</b>	<b>(339,200)</b>	<b>(226,100)</b>	<b>(1,092,800)</b>
Number of Plan Shares forfeited	2013 RSP Grant*	(11,500)	-	-	(11,500)
	2014 RSP Grant*	(44,800)	-	-	(44,800)
	2015 RSP Grant*	(68,700)	-	-	(68,700)
	2016 RSP Grant*	(25,900)	-	-	(25,900)
	<b>Total</b>	<b>(150,900)</b>	<b>-</b>	<b>-</b>	<b>(150,900)</b>
Number of Plan Shares outstanding as at 31 December 2016	2013 RSP Grant	-	-	-	-
	2013 PSP Grant	-	-	-	-
	2014 RSP Grant	346,000	9,600	29,500	306,900
	2014 PSP Grant	426,000	63,600	177,000	185,400
	2015 RSP Grant	684,400	12,800	63,000	608,600
	2015 PSP Grant	441,000	42,400	188,800	209,800
	2016 RSP Grant	1,041,400	19,200	92,000	930,200
2016 PSP Grant	312,200	42,400	184,000	85,800	
<b>Total</b>	<b>3,251,000</b>	<b>190,000</b>	<b>734,300</b>	<b>2,326,700</b>	

Note: \* These Plan Shares were forfeited as they were granted to employees who resigned subsequent to the grant date(s), but prior to vesting date(s).

STATISTICS OF SHAREHOLDINGS  
AS AT 31 JANUARY 2020

G. SHARE GRANT PLAN (SGP) (cont'd.)

For the period from 1 January 2017 to 31 December 2017			Executive Director/CEO	Senior Management	Other Selected Employees
	Type of Grant	Total			
Number of Plan Shares granted	2017 RSP Grant	979,300	269,200	73,100	637,000
	2017 PSP Grant	228,800	42,400	146,200	40,200
	<b>Total</b>	<b>1,208,100</b>	<b>311,600</b>	<b>219,300</b>	<b>677,200</b>
Number of Plan Shares vested	2014 RSP Grant	(334,600)	(9,600)	(29,500)	(295,500)
	2015 RSP Grant	(319,400)	(6,400)	(31,400)	(281,600)
	2016 RSP Grant	(324,500)	(6,400)	(30,500)	(287,600)
	2017 RSP Grant	(250,000)	(250,000)	-	-
	<b>Total</b>	<b>(1,228,500)</b>	<b>(272,400)</b>	<b>(91,400)</b>	<b>(864,700)</b>
Number of Plan Shares forfeited	2014 RSP Grant*	(11,400)	-	-	(11,400)
	2014 PSP Grant*	(426,000)	(63,600)	(177,000)	(185,400)
	2015 RSP Grant*	(43,900)	-	(4,000)	(39,900)
	2015 PSP Grant*	(46,200)	-	(23,600)	(22,600)
	2016 RSP Grant*	(86,700)	-	(7,900)	(78,800)
	2016 PSP Grant*	(23,600)	-	(23,600)	-
	2017 RSP Grant*	(49,000)	-	(15,800)	(33,200)
	2017 PSP Grant*	(31,600)	-	(31,600)	-
	<b>Total</b>	<b>(718,400)</b>	<b>(63,600)</b>	<b>(283,500)</b>	<b>(371,300)</b>
Number of Plan Shares outstanding as at 31 December 2017	2014 RSP Grant	-	-	-	-
	2014 PSP Grant	-	-	-	-
	2015 RSP Grant	321,100	6,400	27,600	287,100
	2015 PSP Grant	394,800	42,400	165,200	187,200
	2016 RSP Grant	630,200	12,800	53,600	563,800
	2016 PSP Grant	288,600	42,400	160,400	85,800
	2017 RSP Grant	680,300	19,200	57,300	603,800
	2017 PSP Grant	197,200	42,400	114,600	40,200
<b>Total</b>	<b>2,512,200</b>	<b>165,600</b>	<b>578,700</b>	<b>1,767,900</b>	

Note: \* These Plan Shares were forfeited as they were granted to employees who resigned subsequent to the grant date(s), but prior to vesting date(s).

♦ 2014 PSP Grant was forfeited as the performance targets in respect of performance period from 2014 to 2016 were not achieved.

STATISTICS OF SHAREHOLDINGS  
AS AT 31 JANUARY 2020

G. SHARE GRANT PLAN (SGP) (cont'd.)

For the period from 1 January 2018 to 31 December 2018			Executive Director/CEO	Senior Management	Other Selected Employees
	Type of Grant	Total			
Number of Plan Shares granted	2018 RSP Grant	1,022,800	19,200	94,400	909,200
	2018 PSP Grant	287,600	42,400	188,800	56,400
	<b>Total</b>	<b>1,310,400</b>	<b>61,600</b>	<b>283,200</b>	<b>965,600</b>
Additional number of Plan Shares (when bonus issue takes effect)	2015 RSP Grant	155,350	3,200	11,800	140,350
	2015 PSP Grant	185,600	21,200	70,800	93,600
	2016 RSP Grant	301,800	6,400	22,850	272,550
	2016 PSP Grant	132,500	21,200	68,400	42,900
	2017 RSP Grant	326,150	9,600	24,700	291,850
	2017 PSP Grant	90,700	21,200	49,400	20,100
	<b>Total</b>	<b>1,192,100</b>	<b>82,800</b>	<b>247,950</b>	<b>861,350</b>
Number of Plan Shares vested	2015 RSP Grant	(464,550)	(9,600)	(35,400)	(419,550)
	2016 RSP Grant	(442,650)	(9,600)	(34,050)	(399,000)
	2017 RSP Grant	(310,500)	(9,600)	(24,450)	(276,450)
	2018 RSP Grant	(5,700)	-	-	(5,700)
	<b>Total</b>	<b>(1,223,400)</b>	<b>(28,800)</b>	<b>(93,900)</b>	<b>(1,100,700)</b>
Number of Plan Shares forfeited	2015 RSP Grant*	(11,900)	-	(4,000)	(7,900)
	2015 PSP Grant*	(580,400)	(63,600)	(236,000)	(280,800)
	2016 RSP Grant*	(42,050)	-	(13,900)	(28,150)
	2016 PSP Grant*	(59,000)	-	(59,000)	-
	2017 RSP Grant*	(56,800)	-	(15,850)	(40,950)
	2017 PSP Grant*	(39,500)	-	(39,500)	-
	2018 RSP Grant*	(38,500)	-	(11,800)	(26,700)
	2018 PSP Grant*	(23,600)	-	(23,600)	-
	<b>Total</b>	<b>(851,750)</b>	<b>(63,600)</b>	<b>(403,650)</b>	<b>(384,500)</b>
Number of Plan Shares outstanding as at 31 December 2018	2015 RSP Grant	-	-	-	-
	2015 PSP Grant	-	-	-	-
	2016 RSP Grant	447,300	9,600	28,500	409,200
	2016 PSP Grant	362,100	63,600	169,800	128,700
	2017 RSP Grant	639,150	19,200	41,700	578,250
	2017 PSP Grant	248,400	63,600	124,500	60,300
	2018 RSP Grant	978,600	19,200	82,600	876,800
	2018 PSP Grant	264,000	42,400	165,200	56,400
<b>Total</b>	<b>2,939,550</b>	<b>217,600</b>	<b>612,300</b>	<b>2,109,650</b>	

Note: \* These Plan Shares were forfeited as they were granted to employees who resigned subsequent to the grant date(s), but prior to vesting date(s).

♦ 2015 PSP Grant was forfeited as the performance targets in respect of performance period from 2015 to 2017 were not achieved.

STATISTICS OF SHAREHOLDINGS  
AS AT 31 JANUARY 2020

G. SHARE GRANT PLAN (SGP) (cont'd.)

For the period from 1 January 2019 to 31 December 2019	Type of Grant	Total	Executive Director/CEO		
			Senior Management	Other Selected Employees	
Number of Plan Shares vested	2016 RSP Grant	(422,850)	(9,600)	(23,700)	(389,550)
	2017 RSP Grant	(290,700)	(19,200)	(17,400)	(254,100)
	2018 RSP Grant	(314,900)	(19,200)	(23,400)	(272,300)
	<b>Total</b>	<b>(1,028,450)</b>	<b>(48,000)</b>	<b>(64,500)</b>	<b>(915,950)</b>
Number of Plan Shares forfeited	2016 RSP Grant*	(24,450)	-	(4,800)	(19,650)
	2016 PSP Grant♦	(362,100)	(63,600)	(169,800)	(128,700)
	2017 RSP Grant*	(42,450)	-	(6,300)	(36,150)
	2017 PSP Grant*	(82,500)	(63,600)	(18,900)	-
	2018 RSP Grant*	(81,000)	-	(11,800)	(69,200)
	2018 PSP Grant*	(66,000)	(42,400)	(23,600)	-
	<b>Total</b>	<b>(658,500)</b>	<b>(169,600)</b>	<b>(235,200)</b>	<b>(253,700)</b>
Number of Plan Shares outstanding as at 31 December 2019	2016 RSP Grant	-	-	-	-
	2016 PSP Grant	-	-	-	-
	2017 RSP Grant	306,000	-	18,000	288,000
	2017 PSP Grant	165,900	-	105,600	60,300
	2018 RSP Grant	582,700	-	47,400	535,300
	2018 PSP Grant	198,000	-	141,600	56,400
<b>Total</b>	<b>1,252,600</b>	<b>-</b>	<b>312,600</b>	<b>940,000</b>	

Note: \* These Plan Shares were forfeited as they were granted to employees who resigned subsequent to the grant date(s), but prior to vesting date(s).

♦ 2016 PSP Grant was forfeited as the performance targets in respect of performance period from 2016 to 2018 were not achieved.

With regard to the Plan Shares granted to the Executive Director/CEO and Senior Management since the commencement of the SGP, and that there is no share grant in 2019:

- (1) The aggregate maximum allocation is 50% of the Maximum Plan Shares Available; and
- (2) The actual percentage of Plan Shares granted to them as at 31 December 2019 was 33.32% of the total number of Plan Shares granted i.e. the same percentage as at 31 December 2018.

The Non-Executive Directors are not eligible to participate in the SGP.

## ADDITIONAL COMPLIANCE INFORMATION DISCLOSURES

### 1. UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

There were no proceeds raised from corporate proposals during the financial year.

### 2. MATERIAL CONTRACTS

There were no material contracts entered into by the Group involving the interest of Directors and major shareholders, either still subsisting at the end of the financial year ended 31 December 2019 or entered into since the end of the previous financial year.

### 3. RELATED PARTY TRANSACTIONS

An internal compliance framework exists to ensure that Bursa Malaysia meets its obligations under Bursa Malaysia Securities Berhad Main Market Listing Requirements and other applicable guidelines/standards in connection with related party transactions (RPT).

In this respect, the relevant processes and procedures are in place to ensure all transactions including the RPT, are monitored and conducted in a manner that is fair and at arms' length basis, with the terms not more favourable to the related parties than to the public, not to the detriment of minority shareholders and in the best interest of Bursa Malaysia.

A Director who has an interest in a transaction abstains himself/herself from deliberation and voting on the relevant resolution in respect of such transaction at Board meetings and/or other meetings of the Company.

section  
**06**

## Financial

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# DIRECTORS' RESPONSIBILITY STATEMENT

FOR THE AUDITED FINANCIAL STATEMENTS

The Directors are required by the Companies Act 2016 (CA) to prepare the financial statements for each financial year which have been made out in accordance with applicable Malaysian Financial Reporting Standards (MFRSs), the International Financial Reporting Standards (IFRSs), and the requirements of the CA in Malaysia.

The Directors are responsible to ensure that the financial statements give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year, and of the results and cash flows of the Group and of the Company for the financial year.

In preparing the financial statements, the Directors ensured that the Management has:

- adopted appropriate accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent; and
- prepared the financial statements on a going concern basis.

The Directors are responsible to ensure that the Group and the Company keep accounting records which disclose the financial position of the Group and of the Company with reasonable accuracy, enabling them to ensure that the financial statements comply with the CA.

The Directors are responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and of the Company, and to detect and prevent fraud and other irregularities.

# DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

## PRINCIPAL ACTIVITIES

The Company is an exchange holding company, whose principal activities are treasury management and the provision of management and administrative services to its subsidiaries.

The principal activities of the subsidiaries are to operate the Malaysian securities, derivatives and offshore exchanges and the Shariah-compliant commodity trading platform, to operate the related depository function and clearing houses, and to disseminate information relating to securities quoted on the exchanges. Other information relating to the respective subsidiaries are disclosed in Note 17 to the financial statements.

## RESULTS

	Group RM'000	Company RM'000
Profit for the year	189,558	180,514

There were no material transfers to or from reserves or provisions during the financial year, other than those disclosed in the financial statements.

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, other than those events during the financial year as disclosed in Note 42 to the financial statements.

## DIVIDENDS

The dividends paid by the Company since 31 December 2018 were as follows:

	RM'000
In respect of the financial year ended 31 December 2019:	
Single-tier interim dividend of 10.4 sen per share, on 808,503,000 ordinary shares, declared on 1 August 2019 and paid on 30 August 2019	84,084
In respect of the financial year ended 31 December 2018, as reported in the Directors' report of that financial year:	
Single-tier second interim dividend of 11.6 sen per share, on 807,475,000 ordinary shares, approved on 30 January 2019 and paid on 28 February 2019	93,667
<b>Total dividends paid since 31 December 2018</b>	<b>177,751</b>

# DIRECTORS' REPORT

## DIVIDENDS (CONT'D.)

On 30 January 2020, the Board of Directors approved and declared a single-tier final dividend of 10.4 sen per share in respect of the financial year ended 31 December 2019. The dividend amounting to approximately RM84,084,000 will be payable on 28 February 2020. The dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2020.

## DIRECTORS

The names of the Directors of the Company in office since the beginning of the current financial year to the date of this report are:

Datuk Shireen Ann Zaharah binti Muhiudeen	(appointed on 1 March 2019)
Datuk Muhamad Umar Swift	(appointed on 11 February 2019)
Datuk Karownakaran @ Karunakaran a/l Ramasamy	
Pushpanathan a/l S.A. Kanagarayar	
Johari bin Abdul Muid	
Datin Mariam Prudence binti Yusof	
Datin Grace Yeoh Cheng Geok	
Chong Chye Neo	
Uji Sherina binti Abdullah	(appointed on 18 November 2019)
Professor Joseph Cherian	(appointed on 1 January 2020)
Datuk Seri Tajuddin bin Atan	(retired on 11 February 2019)
Tan Sri Amirsham bin A Aziz	(retired on 1 March 2019)
Datuk Chay Wai Leong	(retired on 28 March 2019)
Ghazali bin Haji Darman	(retired on 28 March 2019)

The names of the directors of the Company's subsidiaries in office since the beginning of the current financial year to the date of this report are:

Datuk Muhamad Umar Swift	(appointed on 11 February 2019)
Johari bin Abdul Muid	
Datin Mariam Prudence binti Yusof	
Datin Grace Yeoh Cheng Geok	
William Francis Herder	
Kuok Wee Kiat @ Kuck Wee Kiat	
Mazidah binti Abdul Malik	
Rosidah binti Baharom	
Datuk Seri Tajuddin bin Atan	(resigned on 11 February 2019)
Datuk Chay Wai Leong	(retired on 29 March 2019)
Christopher Lee Fix	(resigned on 6 December 2019)

**DIRECTORS' BENEFITS**

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate, other than those arising from the shares awarded under the Share Grant Plan (SGP).

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of remuneration received or due and receivable by the Directors or the fixed salary of a full-time employee of the Company as disclosed in Notes 4 and 9 to the financial statements) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

During the financial year, the total amount of indemnity coverage and insurance premium paid for the Directors and the officers of the Group and of the Company was RM55,000,000 and RM77,007 respectively.

**DIRECTORS' INTERESTS**

According to the register of Directors' shareholdings, the interests of Directors in office at the end of the financial year in the shares of the Company during the financial year were as follows:

	Number of ordinary shares		
	At 1.1.2019 '000	Purchased/ Sold '000	At 31.12.2019 '000
<b>Direct interests</b>			
Datin Mariam Prudence binti Yusof	29	-	29

Other than the above, the Directors in office at the end of the financial year did not have any interest in the shares of the Company or its related corporations during the financial year.

**ISSUE OF SHARES**

During the financial year, the Company increased its issued and paid-up share capital from 807,475,000 ordinary shares to 808,503,000 ordinary shares by way of the issuance of 1,028,000 new ordinary shares amounting to RM6,253,000 arising from the Company's SGP, as disclosed in Note 30(b) to the financial statements.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

**SHARE GRANT PLAN (SGP)**

The Company's SGP is governed by the By-Laws approved by the shareholders at an Extraordinary General Meeting held on 14 April 2011. The SGP was implemented on 18 April 2011 and is made up of two plans - the Restricted Share Plan (RSP) and the Performance Share Plan (PSP). The SGP is in force for a maximum period of ten years from the date of implementation.

The salient features, terms and details of the SGP are as disclosed in Note 30(b) to the financial statements.

**OTHER STATUTORY INFORMATION**

- (a) Before the statements of profit or loss, statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:
  - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances which would render:
  - (i) it necessary to write off bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
  - (ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) At the date of this report, there does not exist:
  - (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability in respect of the Group or of the Company which has arisen since the end of the financial year.

## DIRECTORS' REPORT

### OTHER STATUTORY INFORMATION (CONT'D.)

- (f) In the opinion of the Directors:
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

### SIGNIFICANT EVENTS

The significant events are disclosed in Note 42 to the financial statements.

### AUDITORS AND AUDITORS' REMUNERATION

The auditors, Ernst & Young PLT, have expressed their willingness to continue in office.

The auditors' remuneration of the Group and of the Company are disclosed in Note 7 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 30 January 2020.



Datuk Shireen Ann Zaharah binti Muhiudeen



Datuk Muhamad Umar Swift

## STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Datuk Shireen Ann Zaharah binti Muhiudeen and Datuk Muhamad Umar Swift, being two of the Directors of Bursa Malaysia Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 146 to 239 are drawn up in accordance with the Malaysian Financial Reporting Standards, the International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 30 January 2020.



Datuk Shireen Ann Zaharah binti Muhiudeen



Datuk Muhamad Umar Swift

## STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT 2016

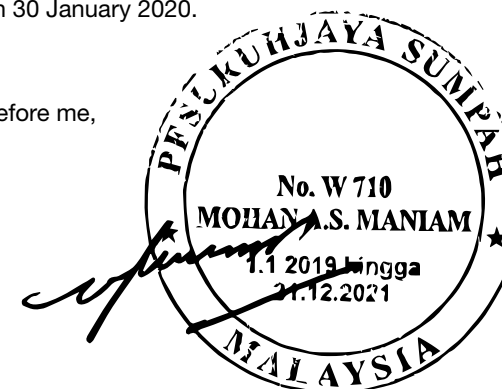
I, Rosidah binti Baharom, being the Officer primarily responsible for the financial management of Bursa Malaysia Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 146 to 239 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Rosidah binti Baharom at Kuala Lumpur in the Federal Territory on 30 January 2020.



Rosidah binti Baharom

Before me,



# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BURSA MALAYSIA BERHAD

(INCORPORATED IN MALAYSIA)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of Bursa Malaysia Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the statements of profit or loss, statements of other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 146 to 239.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

### Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants (By-Laws) and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the key audit matters below, our description of how our audit addressed the matters are provided in that context.

We have fulfilled the responsibilities described in the *Auditors' responsibilities for the audit of the financial statements* section of our report, including in relation to these matters.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BURSA MALAYSIA BERHAD (INCORPORATED IN MALAYSIA)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D.)

### Key audit matters (cont'd.)

Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

Description	Responses
The risk that (i) goodwill and (ii) investment in subsidiaries may be impaired.	Our audit procedures included, among others, evaluating the assumptions and methodologies used by the Group and the Company in performing the impairment assessments.
(i) Goodwill	We examined the cash flow forecasts which support management's impairment assessments. We evaluated the evidence supporting the underlying assumptions in those forecasts, by comparing revenue and expenses to approved budgets, considering prior budget accuracy, and comparing expected growth rates to relevant market expectations.
The Group's and Company's goodwill balances as at 31 December 2019 stood at RM42,957,000 and RM29,494,000, respectively.	
(ii) Investment in subsidiaries	We tested the weighted-average cost of capital discount rates assigned to the cash generating units, as well as the long-term growth rates, with reference to our understanding of the business.
As at 31 December 2019, the carrying amount of investment in subsidiaries in the statement of financial position of the Company stood at RM318,618,000.	We performed sensitivity analyses on the key inputs to impairment models, to understand the impact that reasonable alternative assumptions would have on the overall carrying value.
On an annual basis, management is required to perform impairment assessments for goodwill and investment in subsidiaries with impairment indicators.	We also reviewed the adequacy of the Group's and the Company's disclosures about those assumptions to which the outcome of the impairment test is most sensitive.
These assessments are significant to our audit as they involve significant management judgement and are based on assumptions that are affected by expected future market and economic conditions.	
This risk is also described in Note 2.4 to the financial statements.	

### Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and the remaining other information expected to be included in the annual report, which is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BURSA MALAYSIA BERHAD  
(INCORPORATED IN MALAYSIA)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D.)

*Information other than the financial statements and auditors' report thereon (cont'd.)*

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining other information expected to be included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Company and take appropriate action.

**Responsibilities of the directors for the financial statements**

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

**Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BURSA MALAYSIA BERHAD  
(INCORPORATED IN MALAYSIA)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D.)

*Auditors' responsibilities for the audit of the financial statements (cont'd.)*

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

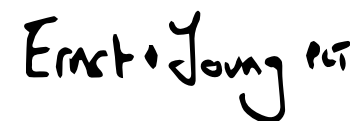
We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**OTHER MATTERS**

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



Ernst & Young PLT  
202006000003 (LLP0022760-LCA) & AF 0039  
Chartered Accountants

Kuala Lumpur, Malaysia  
30 January 2020



Dato' Megat Iskandar Shah Bin Mohamad Nor  
No. 03083/07/2021 J  
Chartered Accountant

## STATEMENTS OF PROFIT OR LOSS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Operating revenue	3	480,135	523,291	377,664	424,940
Other income	4	22,354	26,713	7,803	10,695
		<b>502,489</b>	550,004	<b>385,467</b>	435,635
Staff costs	5	(133,717)	(135,293)	(127,551)	(128,877)
Depreciation and amortisation	6	(20,776)	(21,970)	(19,075)	(20,280)
Other operating expenses	7	(91,697)	(84,032)	(59,307)	(54,485)
Profit from operations		<b>256,299</b>	308,709	<b>179,534</b>	231,993
Finance costs	8	(534)	(534)	(534)	(534)
Profit before tax		<b>255,765</b>	308,175	<b>179,000</b>	231,459
Taxation	10	(66,207)	(77,561)	1,514	1,328
<b>Profit for the year</b>		<b>189,558</b>	230,614	<b>180,514</b>	232,787
<b>Profit attributable to:</b>					
Owners of the Company		<b>185,855</b>	224,042	<b>180,514</b>	232,787
Non-controlling interest		<b>3,703</b>	6,572	-	-
		<b>189,558</b>	230,614	<b>180,514</b>	232,787
<b>Earnings per share attributable to owners of the Company (sen per share):</b>					
Basic	11(a)	<b>23.0</b>	27.8		
Diluted	11(b)	<b>23.0</b>	27.7		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

## STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Profit for the year</b>	<b>189,558</b>	230,614	<b>180,514</b>	232,787
<b>Other comprehensive income:</b>				
<b>Items that may be subsequently reclassified to profit or loss:</b>				
(Loss)/Gain on foreign currency translation	(39)	74	-	-
Net fair value changes in unquoted bonds at fair value through other comprehensive income (FVTOCI)	830	21	-	-
Income tax effects relating to unquoted bonds at FVTOCI (Note 20)	(204)	(23)	-	-
	<b>587</b>	72	-	-
<b>Items that will not be subsequently reclassified to profit or loss:</b>				
Actuarial (loss)/gain on defined benefit obligations (Note 30(a))	(819)	246	(819)	246
Net fair value changes in quoted shares at FVTOCI	22,774	71,187	22,774	71,187
Income tax effects relating to actuarial loss/(gain) on defined benefit obligations (Note 20)	197	(59)	197	(59)
	<b>22,152</b>	71,374	<b>22,152</b>	71,374
<b>Total other comprehensive income for the year, net of income tax</b>	<b>22,739</b>	71,446	<b>22,152</b>	71,374
<b>Total comprehensive income for the year</b>	<b>212,297</b>	302,060	<b>202,666</b>	304,161
<b>Total comprehensive income attributable to:</b>				
Owners of the Company	<b>208,594</b>	295,488	<b>202,666</b>	304,161
Non-controlling interest	<b>3,703</b>	6,572	-	-
	<b>212,297</b>	302,060	<b>202,666</b>	304,161

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	13	166,950	171,424	166,946	171,418
Computer software	14	39,942	40,347	34,414	34,123
Right-of-use assets	15(a)	8,185	8,296	8,185	8,296
Goodwill	16	42,957	42,957	29,494	29,494
Investment in subsidiaries	17	-	-	318,618	153,965
Investment securities	18	197,558	338,140	156,542	297,993
Staff loans receivable	19	1,790	2,287	1,463	1,935
Deferred tax assets	20	9,504	7,455	6,823	5,049
		<b>466,886</b>	<b>610,906</b>	<b>722,485</b>	<b>702,273</b>
<b>Current assets</b>					
Trade receivables	21	42,260	38,600	866	1,808
Other receivables	22	18,014	18,572	8,952	14,345
Amount due from subsidiaries	23	-	-	16,675	12,331
Tax recoverable		6,966	2,961	1,669	2,478
Investment securities	18	10,052	34,935	-	4,923
Cash for equity margins, derivatives trading margins, security deposits and eDividend distributions	24	1,395,899	1,375,995	-	-
Cash and bank balances of Clearing Funds	25	129,204	129,806	-	-
Cash and bank balances of the Group/ Company	26	251,759	222,785	50,751	44,408
		<b>1,854,154</b>	<b>1,823,654</b>	<b>78,913</b>	<b>80,293</b>
<b>Total assets</b>		<b>2,321,040</b>	<b>2,434,560</b>	<b>801,398</b>	<b>782,566</b>

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Equity and liabilities</b>					
<b>Equity</b>					
Share capital	27	430,395	424,142	425,145	418,892
Other reserves	28	150,044	251,311	118,612	220,466
Retained earnings	29	180,326	199,705	170,024	46,085
<b>Equity attributable to owners of the Company</b>		<b>760,765</b>	<b>875,158</b>	<b>713,781</b>	<b>685,443</b>
Non-controlling interest		-	12,291	-	-
<b>Total equity</b>		<b>760,765</b>	<b>887,449</b>	<b>713,781</b>	<b>685,443</b>
<b>Non-current liabilities</b>					
Retirement benefit obligations	30(a)	17,945	18,082	17,945	18,082
Deferred income	31	3,050	2,805	1,529	1,871
Lease liabilities	15(b)	7,461	7,466	7,461	7,466
Deferred tax liabilities	20	1,043	1,388	-	-
		<b>29,499</b>	<b>29,741</b>	<b>26,935</b>	<b>27,419</b>
<b>Current liabilities</b>					
Trade payables	24(a)	1,395,877	1,375,955	-	-
Participants' contributions to Clearing Funds	25	39,204	39,806	-	-
Other payables	32	93,506	97,498	60,177	69,199
Lease liabilities	15(b)	505	505	505	505
Tax payable		1,684	3,606	-	-
		<b>1,530,776</b>	<b>1,517,370</b>	<b>60,682</b>	<b>69,704</b>
<b>Total liabilities</b>		<b>1,560,275</b>	<b>1,547,111</b>	<b>87,617</b>	<b>97,123</b>
<b>Total equity and liabilities</b>		<b>2,321,040</b>	<b>2,434,560</b>	<b>801,398</b>	<b>782,566</b>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		Attributable to owners of the Company								
		Non-distributable					Distributable			
		Share capital	Foreign currency translation reserve	Share grant reserve	Clearing fund reserves	FVTOCI reserve	Retained earnings	Total	Non-controlling interest	Total equity
Group	Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 1 January 2019</b>		424,142	605	6,963	30,000	213,743	199,705	875,158	12,291	887,449
Profit for the year		-	-	-	-	-	185,855	185,855	3,703	189,558
Other comprehensive income for the year		-	(39)	-	-	23,400	(622)	22,739	-	22,739
Total comprehensive income for the year		-	(39)	-	-	23,400	185,233	208,594	3,703	212,297
<b>Transactions with owners:</b>										
Issuance of ordinary shares pursuant to SGP	30(b)	6,253	-	(6,253)	-	-	-	-	-	-
SGP expense (Note a)	5	-	-	3,423	-	-	-	3,423	-	3,423
Dividends paid	12	-	-	-	-	-	(177,751)	(177,751)	-	(177,751)
Acquisition of non-controlling interest	42(a)	-	-	-	-	-	(148,659)	(148,659)	(15,994)	(164,653)
Total transactions with owners		6,253	-	(2,830)	-	-	(326,410)	(322,987)	(15,994)	(338,981)
Transfer of gain on disposal of quoted shares at FVTOCI	42(b)	-	-	-	-	(121,798)	121,798	-	-	-
<b>At 31 December 2019</b>		430,395	566	4,133	30,000	115,345	180,326	760,765	-	760,765

# STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		Attributable to owners of the Company								
		Non-distributable					Distributable			
		Share capital	Foreign currency translation reserve	Share grant reserve	Clearing fund reserves	FVTOCI reserve	Retained earnings	Total	Non-controlling interest	Total equity
Group	Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 1 January 2018</b>		402,169	531	6,849	30,000	142,558	267,881	849,988	12,469	862,457
Profit for the year		-	-	-	-	-	224,042	224,042	6,572	230,614
Other comprehensive income for the year		-	74	-	-	71,185	187	71,446	-	71,446
Total comprehensive income for the year		-	74	-	-	71,185	224,229	295,488	6,572	302,060
<b>Transactions with owners:</b>										
Issuance of ordinary shares pursuant to:										
- SGP	30(b)	6,650	-	(6,650)	-	-	-	-	-	-
- bonus issue	27	15,323	-	-	-	-	(15,323)	-	-	-
SGP expense (Note a)	5	-	-	6,764	-	-	-	6,764	-	6,764
Dividends paid	12	-	-	-	-	-	(277,082)	(277,082)	-	(277,082)
Dividends paid to non-controlling interest		-	-	-	-	-	-	-	(6,750)	(6,750)
Total transactions with owners		21,973	-	114	-	-	(292,405)	(270,318)	(6,750)	(277,068)
<b>At 31 December 2018</b>		424,142	605	6,963	30,000	213,743	199,705	875,158	12,291	887,449

STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Company	Note	Non-distributable		Distributable		Total equity RM'000
		Share capital RM'000	Share grant reserve RM'000	FVTOCI reserve RM'000	Retained earnings RM'000	
<b>At 1 January 2019</b>		<b>418,892</b>	<b>6,963</b>	<b>213,503</b>	<b>46,085</b>	<b>685,443</b>
Profit for the year		-	-	-	180,514	180,514
Other comprehensive income for the year		-	-	22,774	(622)	22,152
Total comprehensive income for the year		-	-	22,774	179,892	202,666
<b>Transactions with owners of the Company:</b>						
Issuance of ordinary shares pursuant to SGP	30(b)	6,253	(6,253)	-	-	-
SGP expense (Note a)		-	3,423	-	-	3,423
Dividends paid	12	-	-	-	(177,751)	(177,751)
Total transactions with owners of the Company		6,253	(2,830)	-	(177,751)	(174,328)
Transfer of gain on disposal of quoted shares at FVTOCI	42(b)	-	-	(121,798)	121,798	-
<b>At 31 December 2019</b>		<b>425,145</b>	<b>4,133</b>	<b>114,479</b>	<b>170,024</b>	<b>713,781</b>
<b>At 1 January 2018</b>		<b>396,919</b>	<b>6,849</b>	<b>142,316</b>	<b>105,516</b>	<b>651,600</b>
Profit for the year		-	-	-	232,787	232,787
Other comprehensive income for the year		-	-	71,187	187	71,374
Total comprehensive income for the year		-	-	71,187	232,974	304,161
<b>Transactions with owners of the Company:</b>						
Issuance of ordinary shares pursuant to:						
- SGP	30(b)	6,650	(6,650)	-	-	-
- bonus issue	27	15,323	-	-	(15,323)	-
SGP expense (Note a)		-	6,764	-	-	6,764
Dividends paid	12	-	-	-	(277,082)	(277,082)
Total transactions with owners of the Company		21,973	114	-	(292,405)	(270,318)
<b>At 31 December 2018</b>		<b>418,892</b>	<b>6,963</b>	<b>213,503</b>	<b>46,085</b>	<b>685,443</b>

**Note a**

SGP expense comprises share grant expense of RM3,501,000 (2018: RM6,477,000) relating to shares granted to the employees of the Company (as disclosed in Note 5), and net reversal of share grant expense of RM78,000 (share grant expense in 2018: RM287,000) relating to shares granted to the employees of its subsidiaries.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF  
CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Note	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Cash flows from operating activities</b>				
Profit before tax	255,765	308,175	179,000	231,459
Adjustments for:				
(Accretion of discount)/Amortisation of premium, net	7 (2)	2	-	-
Depreciation and amortisation	6 20,776	21,970	19,075	20,280
Dividend income from investment securities	4 (4,281)	(4,960)	(4,281)	(4,960)
Grant income	4 (979)	(1,338)	(847)	(1,206)
Dividend income from subsidiaries	3 -	-	(205,139)	(252,399)
Interest expense on lease liabilities	8 534	534	534	534
Interest and profit income	4 (15,587)	(18,313)	(1,290)	(2,427)
Lease of equipment	7 210	214	201	205
Net loss/(gain) on disposal of:				
- motor vehicles	4 269	(68)	269	(68)
- computer hardware	4 (46)	-	(46)	-
- investment securities	4 (104)	-	-	-
Net impairment loss/(reversal of impairment loss) on:				
- computer software	7 3,300	-	3,300	-
- investment securities	7 (89)	(104)	(23)	23
- trade and other receivables	7 605	429	(52)	39
- amount due from a subsidiary	7 -	-	9	7
Provision for short-term accumulating compensated unutilised leave	5 27	173	94	153
Retirement benefit obligations	5 842	989	842	989
SGP expense	5 3,423	6,764	3,501	6,477
Unrealised loss/(gain) on foreign exchange differences		231	8	(60)
Operating profit/(loss) before working capital changes		264,894	314,475	(4,524)
Decrease/(Increase) in receivables		169	2,162	5,705
Decrease in payables		(1,854)	(16,799)	(7,621)
Changes in amount due from subsidiaries		-	-	(4,431)
Cash generated from/(used in) operations		263,209	299,838	(10,871)
Interest paid	15(b)	(534)	(534)	(534)
Repayment of lease liabilities		(210)	(214)	(201)
Repayment of staff loans, net of disbursements		496	595	465
Retirement benefits paid	30	(1,798)	(4,521)	(1,798)
Net tax (paid)/refunded		(74,535)	(80,875)	746
<b>Net cash from/(used in) operating activities</b>		<b>186,628</b>	<b>214,289</b>	<b>(12,193)</b>

**STATEMENTS OF CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Cash flows from investing activities</b>					
Acquisition of non-controlling interest	17(a)	(164,653)	-	(164,653)	-
Dividends received		5,171	7,247	210,310	259,646
(Increase)/Decrease in deposits not for short-term funding requirements		(11,443)	(31,750)	6,549	(418)
Interest and profit income received		15,398	19,502	1,213	3,162
Proceeds from disposal of:					
- investment securities		204,327	30,000	169,223	5,000
- motor vehicles and computer hardware		314	68	314	68
Purchases of:					
- investment securities		(19,967)	(24,910)	-	(9,909)
- property, plant and equipment and computer software		(20,448)	(12,959)	(20,115)	(12,344)
<b>Net cash from/(used in) investing activities</b>		<b>8,699</b>	<b>(12,802)</b>	<b>202,841</b>	<b>245,205</b>
<b>Cash flows from financing activities</b>					
Dividends paid to owners of the Company	12	(177,751)	(277,082)	(177,751)	(277,082)
Dividends paid by a subsidiary to non-controlling interest		-	(6,750)	-	-
Grant received		-	2,105	-	2,105
Repayment of lease liabilities	15(b)	(5)	(4)	(5)	(4)
<b>Net cash used in financing activities</b>		<b>(177,756)</b>	<b>(281,731)</b>	<b>(177,756)</b>	<b>(274,981)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>17,571</b>	<b>(80,244)</b>	<b>12,892</b>	<b>(44,076)</b>
Effects of exchange rate changes		(40)	72	-	-
Cash and cash equivalents at beginning of year		167,960	248,132	29,229	73,305
<b>Cash and cash equivalents at end of year</b>	26	<b>185,491</b>	<b>167,960</b>	<b>42,121</b>	<b>29,229</b>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**

31 DECEMBER 2019

**1. CORPORATE INFORMATION**

The Company is a public limited company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at the 15th Floor, Exchange Square, Bukit Kewangan, 50200 Kuala Lumpur, Malaysia.

The Company is an exchange holding company, whose principal activities are treasury management and the provision of management and administrative services to its subsidiaries. The principal activities of the subsidiaries are to operate the Malaysian securities, derivatives and offshore exchanges and the Shariah-compliant commodity trading platform, to operate the related depository function and clearing houses, and to disseminate information relating to securities quoted on the exchanges. Other information relating to the respective subsidiaries are disclosed in Note 17.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors dated 30 January 2020.

**2. SIGNIFICANT ACCOUNTING POLICIES**
**2.1 Basis of preparation**

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards (MFRSs) as issued by the Malaysian Accounting Standards Board (MASB), the International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and the requirements of the Companies Act 2016 in Malaysia.

The financial statements, other than for certain financial instruments and retirement benefit obligations, have been prepared on a historical cost basis. Certain financial instruments are measured at fair value in accordance with MFRS 9 *Financial Instruments*, and the retirement benefit obligations, including actuarial gains and losses are measured in accordance with MFRS 119 *Employee Benefits*.

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000 or '000), unless otherwise indicated.

**2.2 Standards issued but not yet effective**

As at the date of authorisation of these financial statements, the following Standards and amendments to Standards have been issued by the MASB but are not yet effective. These pronouncements are either not relevant or do not have any material impact on the financial statements of the Group and of the Company:

**Effective for financial periods beginning on or after 1 January 2020**

Amendments to MFRS 3 Business Combinations - *Definition of a Business*  
 Amendments to MFRS 7 Financial Instruments: Disclosures, MFRS 9 Financial Instruments and MFRS 139 Financial Instruments: Recognition and Measurement - *Interest Rate Benchmark Reform*  
 Amendments to MFRS 101 Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors - *Definition of Material*

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.2 Standards issued but not yet effective (cont'd.)**

**Effective for financial periods beginning on or after 1 January 2021**

MFRS 17 Insurance Contracts

**Effective date of these Amendments to Standards has been deferred, and yet to be announced**

Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures - *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

**2.3 Summary of significant accounting policies**

**(a) Subsidiaries and basis of consolidation**

**(i) Subsidiaries**

Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is recognised in profit or loss.

**(ii) Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the financial year end. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same financial year end as the Company. Consistent accounting policies are applied to like transactions and events of similar circumstances.

Subsidiaries are consolidated from the date on which control exists. They are deconsolidated from the date that control ceases.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.3 Summary of significant accounting policies (cont'd.)**

**(a) Subsidiaries and basis of consolidation (cont'd.)**

**(ii) Basis of consolidation (cont'd.)**

Acquisition of subsidiaries are accounted for using the purchase method except for business combinations arising from common control transfers. Business combinations involving entities under common control are accounted for by applying the pooling of interest method. The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company. Any difference between the consideration paid and the share capital of the "acquired" entity is reflected within equity as merger reserve or merger deficit. Merger deficit is adjusted against suitable reserves of the entity acquired to the extent that laws or statutes do not prohibit the use of such reserves. The consolidated financial statements reflect the results of the combining entities for the full year, irrespective of when the combination takes place. Comparatives are presented as if the entities have always been combined since the date the entities had come under common control.

Under the purchase method of accounting, identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the date of acquisition. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in other comprehensive income. The cost of a business combination is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the business combination.

Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the statements of financial position. The accounting policy for goodwill is set out in Note 2.3(c)(i). Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in profit or loss on the date of acquisition.

**(iii) Transactions with non-controlling interest**

Non-controlling interest represents the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in profit or loss of the Group and within equity in the consolidated statements of financial position, separately from the equity of the owners of the Company. Transactions with non-controlling interest are accounted for as transactions with owners. On acquisition of non-controlling interest, the difference between the consideration and fair value of the share of the net assets acquired is recognised directly in equity. Gain or loss on disposal to non-controlling interest is recognised directly in equity.

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**
**2.3 Summary of significant accounting policies (cont'd.)**
**(b) Property, plant and equipment and depreciation**

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and to the Company and the cost of the item can be measured reliably.

Subsequent to the initial recognition, costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised in profit or loss as incurred.

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Projects-in-progress are not depreciated as these assets are not yet available for use. Depreciation of other property, plant and equipment is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings and office lots	Fifty years
Renovation	Five years
Office equipment, furniture and fittings	Three to five years
Computers and office automation	Three to ten years
Motor vehicles	Five years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual values, useful lives and depreciation methods are reviewed at each financial year end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**
**2.3 Summary of significant accounting policies (cont'd.)**
**(c) Intangible assets**
**(i) Goodwill**

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's and of the Company's Cash-Generating Units (CGUs) that are expected to benefit from the synergies of the combination.

Where goodwill forms part of a CGU and part of the operations within that CGU is disposed of, the goodwill associated with the operations disposed of is included in the carrying amount of the operations when determining the gain or loss on disposal of the operations. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the CGU retained.

**(ii) Computer software**

Computer software is initially measured at cost. Following initial recognition, computer software is measured at cost less accumulated amortisation and accumulated impairment losses.

The useful lives of computer software are assessed to be finite. Computer software are amortised over their estimated useful lives of five to ten years and assessed for impairment whenever there is an indication that they may be impaired.

The amortisation periods and methods are reviewed at least at each financial year end. Changes in the expected useful lives or the expected pattern of consumption of future economic benefits embodied in the assets are accounted for by changing the amortisation periods or methods, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on computer software with finite lives is recognised in profit or loss. Projects-in-progress are not amortised as these computer software are not yet available for use.

Gains or losses arising from derecognition of computer software are measured as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in profit or loss when the asset is derecognised.

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.3 Summary of significant accounting policies (cont'd.)**

**(d) Leases**

**(i) The Group and the Company as lessee**

The Group and the Company recognise a right-of-use asset and a lease liability at the commencement date of the contract for all leases excluding short-term leases or leases for which the underlying asset is of low value, conveying the right to control the use of an identified asset for a period of time.

The right-of-use assets are initially recorded at cost, which comprises:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date of the lease, less any lease incentives received;
- any initial direct costs incurred by the Group and the Company; and
- an estimate of costs to be incurred by the Group and the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the lessor.

Subsequent to the initial recognition, the right-of-use assets are measured at cost less any accumulated depreciation and accumulated impairment losses, and adjusted for any remeasurement of the lease liability.

Depreciation is computed on a straight-line basis over the estimated useful lives of the right-of-use assets.

If the lease transfers ownership of the underlying asset to the Group and the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Group and the Company will exercise a purchase option, the Group and the Company depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group and Company depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the Group's and the Company's incremental borrowing rate. Subsequent to the initial recognition, the Group and the Company measure the lease liability by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect lease payments made, and remeasuring the carrying amount to reflect any reassessment or lease modifications.

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.3 Summary of significant accounting policies (cont'd.)**

**(d) Leases (cont'd.)**

**(ii) The Group and the Company as lessor**

The Group and the Company classified its leases as either operating leases or finance leases. Leases where the Group and the Company retain substantially all the risks and rewards of ownership of the leased assets are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

If the Group and the Company transfer substantially all the risks and rewards incidental to ownership of the leased assets, leases are classified as finance leases and are capitalised at an amount equal to the net investment in the lease.

**(e) Impairment of non-financial assets**

The Group and the Company assess at each financial year end whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group and the Company make an estimate of the asset's recoverable amount.

For goodwill and computer software that are not yet available for use, the recoverable amount is estimated at each financial year end or more frequently when indicators of impairment are identified.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value-in-use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (i.e. CGUs). In assessing value-in-use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss except for assets that were previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment loss is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each financial year end as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss for an asset, other than goodwill, is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised, in which case, the carrying amount of the asset is increased to its revised recoverable amount. The increase cannot exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)****2.3 Summary of significant accounting policies (cont'd.)****(f) Financial assets**

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are initially recognised, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss (FVTPL), directly attributable transaction costs.

The Group and the Company determine the classification of financial assets upon initial recognition. The measurement for each classification of financial assets are as below:

**(i) Financial assets measured at amortised cost**

Financial assets that are debt instruments are measured at amortised cost if they are held within a business model whose objective is to collect contractual cash flows, and have contractual terms which give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss through the amortisation process and when the financial assets are impaired or derecognised.

**(ii) Financial assets measured subsequently at fair value**

Financial assets that are debt instruments are measured at FVTOCI if they are held within a business model whose objectives are both to collect contractual cash flows and selling the financial assets, and have contractual terms which give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets that are debt instruments are measured at fair value. Any gains or losses arising from the changes in fair value are recognised in other comprehensive income, except for impairment losses, exchange differences and interests/profit income which are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Financial assets that are debt instruments which do not satisfy the requirements to be measured at amortised cost or FVTOCI, are measured at FVTPL. The Group and Company do not have any financial assets measured at FVTPL as at the current and previous financial year ends.

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)****2.3 Summary of significant accounting policies (cont'd.)****(f) Financial assets (cont'd.)****(ii) Financial assets measured subsequently at fair value (cont'd.)**

Equity instruments are classified as financial assets measured at FVTPL if they are held for trading or are designated as such upon initial recognition. Equity instruments are classified as held for trading if they are acquired principally for sale in the near term or are derivatives that do not meet the hedge accounting criteria (including separated embedded derivatives). The Group and the Company had elected an irrevocable option to designating its equity instruments (i.e. quoted shares outside Malaysia) on initial recognition as financial assets measured at FVTOCI as the said equity instruments are not held for trading.

Subsequent to initial recognition, financial assets that are equity instruments are measured at fair value. For financial assets classified as FVTOCI, any gains or losses arising from the changes in fair value are recognised in other comprehensive income and are not subsequently transferred to profit or loss. Dividends on equity instruments are recognised in profit or loss when the Group's or the Company's right to receive payment is established.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the settlement date, i.e. the date that the asset is delivered to or by the Group and the Company.

**(g) Impairment of financial assets**

At each financial year end, the Group and the Company assess whether there has been a significant increase in credit risk for financial assets by comparing the risk of default occurring as at the financial year end with the risk of default since initial recognition.

In determining whether credit risk on a financial asset has increased significantly since initial recognition, the Group and the Company use external credit rating and other supportive information to assess deterioration in credit quality of a financial asset. The Group and the Company assess whether the credit risk on a financial asset has increased significantly on an individual or collective basis. For collective basis evaluation, financial assets are grouped on the basis of similar risk characteristics.

The Group and the Company consider past loss experience and observable data such as current changes and future forecasts in economic conditions to estimate the amount of expected impairment loss. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.3 Summary of significant accounting policies (cont'd.)

#### (g) Impairment of financial assets (cont'd.)

The amount of impairment loss is measured as the probability-weighted present value of all cash shortfalls over the expected life of the financial asset discounted at its original effective interest rate. The cash shortfall is the difference between all contractual cashflows that are due to the Group and the Company and all the cash flows that the Group and the Company expect to receive.

The Group and the Company measure the allowance for impairment loss on unquoted bonds, staff loans receivable and cash and bank balances based on the two-step approach as follows:

##### (i) 12-months expected credit loss

For a financial asset for which there is no significant increase in credit risk since initial recognition, the Group and the Company measure the allowance for impairment loss for that financial asset at an amount based on the probability of default occurring within the next 12 months considering the loss given default of that financial asset.

##### (ii) Lifetime expected credit loss

For a financial asset for which there is a significant increase in credit risk since initial recognition, a lifetime expected credit loss for that financial asset is recognised as the allowance for impairment loss by the Group and the Company. If, in a subsequent period the significant increase in credit risk since initial recognition is no longer evident, the Group and the Company revert the allowance for impairment loss measurement from lifetime expected credit loss to 12-months expected credit loss.

For trade and other receivables which are financial assets, the Group and the Company apply the simplified approach in accordance with MFRS 9 *Financial Instruments* and measure the allowance for impairment loss based on a lifetime expected credit loss from initial recognition.

The carrying amount of the financial asset is reduced through the use of an allowance for impairment loss account and the amount of impairment loss is recognised in profit or loss. When a financial asset becomes uncollectible, it is written off against the allowance for impairment loss account.

#### (h) Cash and cash equivalents

Cash and cash equivalents consist of cash at banks and on hand, and short-term deposits used by the Group and the Company in the management of short-term funding requirements of their operations.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.3 Summary of significant accounting policies (cont'd.)

#### (i) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definition of a financial liability.

Financial liabilities are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instruments. Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

##### (i) Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This includes derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

The Group and the Company do not have any financial liabilities at FVTPL as at the current and previous financial year ends.

##### (ii) Other financial liabilities

Other financial liabilities are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished.

When an existing financial liability is replaced by another instrument from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)****2.3 Summary of significant accounting policies (cont'd.)****(j) Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group and the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants act in their economic best interest when pricing the asset or liability.

The Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Company determine whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the financial year end.

**(k) Provisions**

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each financial year end and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

**(l) Deferred grants**

Grants are recognised at their fair value when there is reasonable assurance that the grant will be received and all conditions will be met. Where the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. Where the grant relates to an asset, the fair value is recognised in the statements of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by its related depreciation or amortisation charges.

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)****2.3 Summary of significant accounting policies (cont'd.)****(m) Equity instruments**

Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs, and are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

**(n) Revenue recognition**

The Group and the Company recognise revenue from contracts with customers for the provision of services and sale of information based on the five-step model as set out below:

- (i) Identify contract(s) with a customer. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.
- (ii) Identify performance obligations in the contract. A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
- (iii) Determine the transaction price. The transaction price is the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
- (iv) Allocate the transaction price to the performance obligations in the contract. For a contract that has more than one performance obligation, the Group and the Company allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group and the Company expect to be entitled in exchange for satisfying each performance obligation.
- (v) Recognise revenue when (or as) the Group and the Company satisfy a performance obligation.

The Group and the Company satisfy a performance obligation and recognise revenue over time if the Group's and the Company's performance:

- (i) Do not create an asset with an alternative use to the Group and the Company, and have an enforceable right to payment for performance completed to-date; or
- (ii) Create or enhance an asset that the customer controls as the asset is created or enhanced; or
- (iii) Provide benefits that the customer simultaneously receives and consumes as the Group and the Company perform.

For performance obligations where any one of the above conditions is not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**
**2.3 Summary of significant accounting policies (cont'd.)**
**(n) Revenue recognition (cont'd.)**

When the Group and the Company satisfy a performance obligation by delivering the promised goods or services, it creates a contract based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised, this gives rise to a contract liability.

Revenue is measured at the fair value of consideration received or receivable. The following describes the performance obligations in contracts with customers:

**(i) Trade fees**

Trade fees on securities traded on the securities exchange are recognised on a trade date basis. Trade fees on derivatives contracts are recognised net of rebates on a trade date basis. Trade fees on commodities are recognised on a trade date basis net of amount payable to commodities suppliers and brokers, whenever applicable.

**(ii) Clearing fees**

Fees for clearing and settlement between clearing participants for trades in securities transacted on the securities exchange are recognised net of the Securities Commission levy when services are rendered. Clearing fees on derivatives contracts are recognised net of rebates on the clearing date.

**(iii) Other securities trading revenue**

Other securities trading revenue mainly comprise Institutional Settlement Services ("ISS") fees. ISS fees from the securities exchange are recognised in full when services are rendered at the point in time.

**(iv) Other derivatives trading revenue**

Other derivatives trading revenue mainly comprise collateral management services fees, guarantee and tender fees. Collateral management services fees are recognised on an accrual basis. Guarantee fees are recognised on a daily basis on day end margin requirements for open contracts. Tender fees are recognised on per contract tendered.

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**
**2.3 Summary of significant accounting policies (cont'd.)**
**(n) Revenue recognition (cont'd.)**
**(v) Listing and issuer services**

Listing and issuer services revenue comprise:

- **Initial listing fees**

Initial listing fees are recognised over a period of time when the services are rendered.

- **Other listing fees**

Annual and additional listing fees are recognised when the services are rendered.

- **Issuer services fees**

Perusal fees for circulars or notices issued are recognised when the services are rendered at a point in time. Processing fees for corporate related exercises on securities traded on the securities exchange are recognised when the related services are rendered.

**(vi) Depository services**

Fees from depository services are recognised when the services are rendered.

**(vii) Market data**

Fees from sale of information are recognised when the services are rendered.

**(viii) Member services and connectivity**

Member services and connectivity mainly comprise:

- **Access fees**

Access fees are recognised over the period that access to the required services is being provided.

- **Participants' fees**

Initial application fees are recognised upon registration or admission into the securities or derivatives exchange. Annual subscription fees are recognised when the services are rendered.

- **Broker services**

Fees from broker services are recognised when the services are rendered.

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)****2.3 Summary of significant accounting policies (cont'd.)****(n) Revenue recognition (cont'd.)****(ix) Other operating revenue**

Other operating revenue represents conference fees and exhibition-related income and are recognised when the events are held.

**(x) Other income**

- Accretion of discounts and amortisation of premiums on investments are recognised on an effective yield basis.
- Dividend income is recognised when the right to receive payment is established.
- Interest or profit income is recognised on an accrual basis that reflects the effective yield of the asset.
- Management fees are recognised when services are rendered.
- Rental income from the letting of office space and equipment is recognised on a straight-line basis over the terms of the rental agreements.

**(o) Employee benefits****(i) Short-term benefits**

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short-term accumulating compensated absences such as paid annual leave are recognised as a liability when they accrue to the employees. The estimated liability for paid annual leave is recognised for services rendered by employees up to the reporting date. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

**(ii) Defined contribution plans**

Defined contribution plans are post-employment benefit plans under which the Group and the Company pay fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the period in which the related service is performed. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund (EPF).

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)****2.3 Summary of significant accounting policies (cont'd.)****(o) Employee benefits (cont'd.)****(iii) Defined benefit plan**

The Group and the Company operate a funded, defined benefit retirement scheme (the "Scheme") for its eligible employees. The Scheme was closed to new entrants effective 1 September 2003.

The Group's and the Company's obligation under the Scheme, calculated using the Projected Unit Credit Method, is determined based on actuarial computations by an independent actuary, through which the amount of benefit that employees have earned in return for their services up to 1 September 2003 is estimated.

The amount recognised in the statements of financial position represents the present value of the defined benefit obligation at each financial year end less the fair value of plan assets. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds and that have terms to maturity approximating to the terms of the pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Net interest is recognised in profit or loss. Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

**(iv) Share-based compensation**

The Company's SGP (implemented on 18 April 2011), an equity-settled, share-based compensation plan, allows eligible employees of the Group to be entitled to ordinary shares of the Company. The total fair value of shares granted to employees are recognised as an employee cost with a corresponding increase in the share grant reserve within equity over the vesting period while taking into account the probability that the shares will vest. The fair value of shares are measured at grant date, taking into account, if any, the market vesting conditions upon which the shares were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in the assumptions in respect of the number of shares that are expected to be granted on vesting date.

At each financial year end, the Group and the Company revise the estimate of the number of shares that are expected to be granted on vesting date. The impact of revision of original estimates, if any, is recognised in profit or loss, and a corresponding adjustment made to equity over the remaining vesting period. The equity amount is recognised in the share grant reserve.

**(p) Borrowing costs**

Borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds or the lease liabilities.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.3 Summary of significant accounting policies (cont'd.)

#### (q) Income taxes

##### (i) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the financial year end.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, and accounted for either in other comprehensive income or directly in equity.

##### (ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the financial year end between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except for the deferred tax liability that arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, unutilised tax losses and unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unutilised tax losses and unused tax credits can be utilised except where the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets are reviewed at each financial year end and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised.

Unrecognised deferred tax assets are reassessed at each financial year end and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled based on tax rates and tax laws that have been enacted or substantively enacted at the financial year end.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.3 Summary of significant accounting policies (cont'd.)

#### (r) Foreign currency

##### (i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in RM, which is also the Company's functional currency.

##### (ii) Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in foreign currencies are measured in the respective functional currencies at the exchange rates approximating those ruling at the transaction dates. At each financial year end, monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the financial year end. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the dates when the fair value was determined.

Exchange differences arising from the settlement of monetary items, or on translating monetary items at the financial year end are recognised in profit or loss, except exchange differences arising on monetary items that form part of the Group's net investment in foreign operations which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising from the translation of non-monetary items carried at fair value are not included in profit or loss for the period until their impairment or disposal.

##### (iii) Subsidiary with foreign currency as its functional currency

The results and financial position of a subsidiary that has a functional currency different from the presentation currency of the consolidated financial statements are translated into RM as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate prevailing at the financial year end;
- Income and expenses for each statement of comprehensive income or separate statement of profit or loss presented are translated at average monthly exchange rates, which approximate the exchange rates at the dates of the transactions; and
- All resulting exchange differences are recognised directly in other comprehensive income. On disposal of a subsidiary with foreign currency as its functional currency, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular subsidiary is recognised in profit or loss.

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)****2.3 Summary of significant accounting policies (cont'd.)****(s) Contingencies**

A contingent liability or asset is a possible obligation or benefit that arises from past events, and the existence of which will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group and of the Company.

There are no contingent liabilities and assets recognised in the statements of financial position of the Group and of the Company in the current and previous financial years.

**2.4 Significant accounting judgements and estimates****Key sources of estimation uncertainty**

The preparation of financial statements in accordance with MFRSs requires the use of certain accounting estimates and exercise of judgement. Estimates and judgements are continually evaluated and are based on past experience, reasonable expectations of future events and other factors.

The key assumptions concerning the future and other key sources of estimation uncertainty at the financial year end that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below:

**(a) Impairment of computer hardware, computer software, right-of-use assets and investment in subsidiaries**

The Group and the Company review their computer hardware, computer software, right-of-use assets and investment in subsidiaries at each financial year end to determine if there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss. The Group and the Company carry out the impairment test based on a variety of estimations including value-in-use of the CGUs to which the computer hardware, computer software, right-of-use assets and investment in subsidiaries are allocated to. Estimating the value-in-use requires the Group and the Company to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of computer hardware, computer software, right-of-use assets and investment in subsidiaries as at the financial year end are disclosed in Notes 13, 14, 15(a) and 17 respectively.

**(b) Impairment of goodwill**

The Group and the Company determine whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the CGUs to which goodwill is allocated. Estimating a value-in-use amount requires the Group and the Company to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at the financial year end is disclosed in Note 16.

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)****2.4 Significant accounting judgements and estimates (cont'd.)****(c) Impairment of investment securities - debt securities**

Investment securities - debt securities are reviewed and assessed at each financial year end on whether there is sufficient allowance for impairment loss provided.

The impairment review shall determine whether there is significant increase in credit risk since initial recognition of the investment securities - debt securities, such as from deterioration of the credit quality of the issuers or obligors and significant financial difficulties of the issuers or obligors.

The carrying amount of investment securities - debt securities as at the financial year end is disclosed in Note 18.

**(d) Depreciation/amortisation of computer hardware, computer software and right-of-use assets**

The cost of computer hardware, computer software and right-of-use assets is depreciated and amortised on a straight-line basis over the assets' useful lives. The Group and the Company estimate the useful lives of these assets to be between three to ten years. Technological advancements could impact the useful lives and the residual values of these assets, therefore future depreciation and amortisation charges could be revised. The carrying amounts of computer hardware, computer software and right-of-use assets as at the financial year end are disclosed in Notes 13, 14 and 15(a) respectively.

**(e) Deferred tax assets**

Deferred tax assets are recognised for all unutilised tax losses and unused capital allowances to the extent that it is probable that taxable profit will be available against which the tax losses and capital allowances can be utilised. Significant judgement is required to determine the amounts of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies. The unutilised tax losses and unused capital allowances as at the financial year end are disclosed in Note 20.

**(f) Defined benefit plan**

The cost of the defined benefit plan and the present value of the defined benefit obligation is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rate of salary increases and mortality rates. All assumptions are reviewed at each financial year end.

In determining the appropriate discount rate, the valuation is based on market yield of high quality corporate bonds with AA ratings and above with terms similar to the terms of the liabilities.

**(g) Share grant plan**

The Group and the Company measure the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the dates on which they are granted. Estimating the fair value of the share-based payment transactions requires the determination of the appropriate valuation model and the inputs (for example, expected volatility of the share price and/or dividend yield) to the valuation model. The key assumptions are disclosed in Note 30(b).

NOTES TO THE FINANCIAL STATEMENTS  
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3. OPERATING REVENUE

	Group	
	2019 RM'000	2018 RM'000
Trade fees	23,409	28,968
Clearing fees (Note a)	185,138	211,592
Others	24,293	25,249
<b>Total Securities trading revenue</b>	<b>232,840</b>	<b>265,809</b>
Trade fees	41,435	42,828
Clearing fees	18,168	17,238
Others	12,665	16,629
<b>Total Derivatives trading revenue</b>	<b>72,268</b>	<b>76,695</b>
Bursa Suq Al-Sila (BSAS) trading fees	13,986	14,932
Listing and issuer services	54,018	60,112
Depository services	41,938	42,170
Market data	38,563	36,208
Member services and connectivity	21,499	21,835
Conference fees and exhibition-related income	5,023	5,530
	<b>175,027</b>	<b>180,787</b>
<b>Total operating revenue (Note b)</b>	<b>480,135</b>	<b>523,291</b>
	Company	
	2019 RM'000	2018 RM'000
Broker services	7,462	7,652
Income from subsidiaries (Note 36(a)):		
- dividends	205,139	252,399
- management fees	149,555	148,788
- office space rental	4,740	4,740
- lease of computer equipment	10,768	11,361
<b>Total operating revenue (Note c)</b>	<b>377,664</b>	<b>424,940</b>

(a) Securities clearing fees of the Group are stated net of the amount paid and payable to the Securities Commission Malaysia of RM52,098,000 (2018: RM56,795,000).

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3. OPERATING REVENUE (CONT'D.)

(b) The following tables illustrate the Group's revenue as disaggregated by major services or products and provide a reconciliation of the disaggregated revenue with the Group's four major market segments as disclosed in Note 43. The table also includes the timing of revenue recognition.

	Securities	Derivatives	Exchange	Others	Total
	Market	Market	Holding		
	RM'000	RM'000	Company	RM'000	RM'000
<b>2019</b>					
Major services or products:					
Securities trading revenue	232,840	-	-	-	232,840
Derivatives trading revenue	-	72,268	-	-	72,268
BSAS trading fees	-	-	-	13,986	13,986
Listing and issuer services	53,892	-	-	126	54,018
Depository services	41,938	-	-	-	41,938
Market data	29,927	8,427	-	209	38,563
Member services and connectivity	13,650	261	7,462	126	21,499
Conferences fees and exhibition-related income	-	5,023	-	-	5,023
	<b>372,247</b>	<b>85,979</b>	<b>7,462</b>	<b>14,447</b>	<b>480,135</b>
Timing of revenue recognition:					
- at a point in time	313,974	81,015	-	14,121	409,110
- over time	58,273	4,964	7,462	326	71,025
	<b>372,247</b>	<b>85,979</b>	<b>7,462</b>	<b>14,447</b>	<b>480,135</b>
<b>2018</b>					
Major services or products:					
Securities trading revenue	265,809	-	-	-	265,809
Derivatives trading revenue	-	76,695	-	-	76,695
BSAS trading fees	-	-	-	14,932	14,932
Listing and issuer services	59,980	-	-	132	60,112
Depository services	42,170	-	-	-	42,170
Market data	27,589	8,389	-	230	36,208
Member services and connectivity	13,917	155	7,652	111	21,835
Conferences fees and exhibition-related income	-	5,530	-	-	5,530
	<b>409,465</b>	<b>90,769</b>	<b>7,652</b>	<b>15,405</b>	<b>523,291</b>
Timing of revenue recognition:					
- at a point in time	349,438	86,180	-	15,072	450,690
- over time	60,027	4,589	7,652	333	72,601
	<b>409,465</b>	<b>90,769</b>	<b>7,652</b>	<b>15,405</b>	<b>523,291</b>

(c) The Company recognises all of its revenue over time upon satisfaction of performance obligations, except for dividend income from subsidiaries which are recognised at a point in time.

NOTES TO THE FINANCIAL STATEMENTS  
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4. OTHER INCOME

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Interest and profit income from:				
- deposits with licensed financial institutions	12,563	14,819	1,179	2,263
- investment securities	2,938	3,383	30	60
- others	86	111	81	104
Dividend income	4,281	4,960	4,281	4,960
Grant income (Note 31(a))	979	1,338	847	1,206
Net (loss)/gain on disposals of:				
- motor vehicles (Note a)	(269)	68	(269)	68
- computer hardware	46	-	46	-
- investment securities	104	-	-	-
Rental income	1,311	1,278	1,311	1,278
Miscellaneous income	315	756	297	756
	<b>22,354</b>	<b>26,713</b>	<b>7,803</b>	<b>10,695</b>

(a) Included within net (loss)/gain on disposals of motor vehicles of the Group and of the Company is a net loss of RM278,000 recognised on the disposals of motor vehicles to the former Chairman and former Chief Executive Officer of the Company during the current financial year (2018: Nil).

5. STAFF COSTS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Wages and salaries	89,007	81,537	84,089	76,967
Bonus	16,043	20,293	15,422	19,484
Contributions to a defined contribution plan - EPF	15,854	15,260	15,438	14,747
Social security contributions	545	536	530	522
Provision for short-term accumulating compensated unutilised leave	27	173	94	153
Retirement benefit obligations (Note 30(a)(i))	842	989	842	989
SGP expense	3,423	6,764	3,501	6,477
Other benefits	7,976	9,741	7,635	9,538
	<b>133,717</b>	<b>135,293</b>	<b>127,551</b>	<b>128,877</b>

Included in staff costs of the Group and of the Company are the remuneration expenses for the current and previous Executive Directors remuneration of RM2,246,000 (2018: previous Executive Director's remuneration of RM3,933,000), as disclosed in Note 9.

NOTES TO THE FINANCIAL STATEMENTS  
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6. DEPRECIATION AND AMORTISATION

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Depreciation of property, plant and equipment (Note 13)	11,218	11,975	11,216	11,957
Amortisation of computer software (Note 14)	9,447	9,884	7,748	8,212
Depreciation of right-of-use assets (Note 15(a))	111	111	111	111
	<b>20,776</b>	<b>21,970</b>	<b>19,075</b>	<b>20,280</b>

7. OTHER OPERATING EXPENSES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Administrative expenses	6,280	6,125	5,961	5,803
(Accretion of discount)/Amortisation of premium, net	(2)	2	-	-
Auditors' remuneration:				
- statutory audit	389	376	91	86
- assurance-related services (Note a)	147	107	73	107
- other services (Note b)	108	343	48	287
Building management costs:				
- office rental	83	85	83	85
- upkeep and maintenance	11,178	10,437	11,178	10,437
Central Depository System (CDS) consumables	1,979	2,422	1,979	2,422
Net impairment loss/(reversal of impairment loss) on:				
- computer software (Note 14)	3,300	-	3,300	-
- investment securities (Note 38(e))	(89)	(104)	(23)	23
- trade and other receivables	605	429	(52)	39
- amount due from a subsidiary	-	-	9	7
Marketing and development expenses	14,908	12,007	7,830	6,161
Net loss on foreign exchange differences	624	590	428	308
Professional fees	2,862	3,939	2,738	3,924
Lease of equipment	210	214	201	205
Technology charges:				
- information technology maintenance	19,944	18,325	17,747	16,239
- service fees	19,974	19,226	-	-
Others (Note c)	9,197	9,509	7,716	8,352
	<b>91,697</b>	<b>84,032</b>	<b>59,307</b>	<b>54,485</b>

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7. OTHER OPERATING EXPENSES (CONT'D.)

- (a) Assurance-related services rendered are in respect of annual review of the statement on internal control and risk management, quarterly limited reviews performed for the Group, reporting accountant services and the special audit and review services performed for the purpose of the acquisition of the remaining 25% equity interest in Bursa Malaysia Derivatives Berhad.
- (b) Other services rendered are in respect of tax compliance and advisory services.
- (c) Others include Non-executive Directors' remuneration as disclosed in Note 9.

8. FINANCE COSTS

	Group and Company	
	2019 RM'000	2018 RM'000
Interest expense on lease liabilities (Note 15(b))	534	534

9. DIRECTORS' REMUNERATION

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Executive Directors' remuneration:</b>				
- salaries and other emoluments	1,998	3,515	1,998	3,515
- defined contribution plan - EPF	248	418	248	418
	<b>2,246</b>	<b>3,933</b>	<b>2,246</b>	<b>3,933</b>
- estimated monetary value of benefits-in-kind	70	35	70	35
	<b>2,316</b>	<b>3,968</b>	<b>2,316</b>	<b>3,968</b>
<b>Non-executive Directors' remuneration:</b>				
- fees	1,620	1,706	1,620	1,706
- other emoluments	1,884	1,864	1,766	1,750
	<b>3,504</b>	<b>3,570</b>	<b>3,386</b>	<b>3,456</b>
- estimated monetary value of benefits-in-kind	29	35	29	35
	<b>3,533</b>	<b>3,605</b>	<b>3,415</b>	<b>3,491</b>
<b>Total Directors' remuneration</b>	<b>5,849</b>	<b>7,573</b>	<b>5,731</b>	<b>7,459</b>
Total Directors' remuneration excluding benefits-in-kind	5,750	7,503	5,632	7,389
Estimated monetary value of benefits-in-kind	99	70	99	70
<b>Total Directors' remuneration including benefits-in-kind</b>	<b>5,849</b>	<b>7,573</b>	<b>5,731</b>	<b>7,459</b>

NOTES TO THE FINANCIAL STATEMENTS  
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9. DIRECTORS' REMUNERATION (CONT'D.)

	2019		2018	
	Directors' fees RM'000	Other allowances (Note a)/ salaries RM'000	Directors' fees RM'000	Other allowances (Note a)/ salaries RM'000
<b>Group</b>				
Datuk Shireen Ann Zaharah binti Muhiudeen <sup>(1)</sup>	250	670	-	-
Datuk Muhamad Umar Swift <sup>(2)</sup>	-	1,517	-	-
Datuk Karownakaran @ Karunakaran a/l Ramasamy	200	167	200	140
Pushpanathan a/l S.A. Kanagarayar	200	156	200	154
Johari bin Abdul Muid	200	204	200	210
Datin Mariam Prudence binti Yusof	200	181	200	168
Datin Grace Yeoh Cheng Geok	200	180	200	159
Chong Chye Neo	200	107	6	1
Uji Sherina binti Abdullah <sup>(3)</sup>	24	31	-	-
Datuk Seri Tajuddin bin Atan <sup>(4)</sup>	-	799	-	3,968
Tan Sri Amirsham bin A Aziz <sup>(5)</sup>	50	156	300	798
Datuk Chay Wai Leong <sup>(6)</sup>	48	34	200	149
Ghazali bin Haji Darman <sup>(6)</sup>	48	27	200	120
	<b>1,620</b>	<b>4,229</b>	<b>1,706</b>	<b>5,867</b>
<b>Company</b>				
Datuk Shireen Ann Zaharah binti Muhiudeen <sup>(1)</sup>	250	670	-	-
Datuk Muhamad Umar Swift <sup>(2)</sup>	-	1,517	-	-
Datuk Karownakaran @ Karunakaran a/l Ramasamy	200	167	200	140
Pushpanathan a/l S.A. Kanagarayar	200	156	200	154
Johari bin Abdul Muid	200	137	200	145
Datin Mariam Prudence binti Yusof	200	181	200	168
Datin Grace Yeoh Cheng Geok	200	129	200	110
Chong Chye Neo	200	107	6	1
Uji Sherina binti Abdullah <sup>(3)</sup>	24	31	-	-
Datuk Seri Tajuddin bin Atan <sup>(4)</sup>	-	799	-	3,968
Tan Sri Amirsham bin A Aziz <sup>(5)</sup>	50	156	300	798
Datuk Chay Wai Leong <sup>(6)</sup>	48	34	200	149
Ghazali bin Haji Darman <sup>(6)</sup>	48	27	200	120
	<b>1,620</b>	<b>4,111</b>	<b>1,706</b>	<b>5,753</b>

<sup>(1)</sup> Appointed on 1 March 2019. <sup>(3)</sup> Appointed on 18 November 2019. <sup>(5)</sup> Retired on 1 March 2019.  
<sup>(2)</sup> Appointed on 11 February 2019. <sup>(4)</sup> Retired on 11 February 2019. <sup>(6)</sup> Retired on 28 March 2019.

- (a) Other allowances comprise the Chairman's allowances and meeting allowances which vary from one Director to another, depending on the number of committees they sit on and the number of meetings attended by them during the year.

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10. TAXATION

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Income tax:				
Current year provision	68,767	78,916	-	-
(Over)/Under provision of tax in previous year	(159)	(224)	63	89
	<b>68,608</b>	<b>78,692</b>	<b>63</b>	<b>89</b>
Deferred tax (Note 20):				
Relating to origination and reversal of temporary differences	(2,307)	(1,528)	(1,248)	(1,532)
(Over)/Under provision of tax in previous year	(94)	397	(329)	115
	<b>(2,401)</b>	<b>(1,131)</b>	<b>(1,577)</b>	<b>(1,417)</b>
Total taxation	<b>66,207</b>	<b>77,561</b>	<b>(1,514)</b>	<b>(1,328)</b>

Income tax is calculated at the Malaysian statutory tax rate of the estimated assessable profit for the year. A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company are as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Accounting profit before tax	255,765	308,175	179,000	231,459
Taxation at Malaysian statutory tax rate of 24% (2018: 24%)	61,384	73,962	42,960	55,550
Deferred tax assets not recognised in respect of current year's:				
- capital allowances	455	181	455	181
- tax losses	1,882	98	1,881	97
Effect of:				
- tax rate of 3% (2018: 3%) on profit before tax for subsidiary incorporated in Labuan	(21)	(37)	-	-
- reduction in Malaysian statutory tax rate	-	(89)	-	-
- expenses not deductible for tax purposes	3,753	4,645	3,720	4,514
- income not subject to tax	(993)	(1,372)	(50,264)	(61,874)
(Over)/Under provision of tax in previous year:				
- income tax	(159)	(224)	63	89
- deferred tax	(94)	397	(329)	115
Total taxation	<b>66,207</b>	<b>77,561</b>	<b>(1,514)</b>	<b>(1,328)</b>

During the current financial year, the Group and the Company have tax savings of RM1,742,000 (2018: RM3,063,000) arising from the utilisation of current year tax losses.

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11. EARNINGS PER SHARE (EPS)

(a) Basic EPS

Basic EPS is calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2019	2018
Profit for the year attributable to owners of the Company (RM'000)	185,855	224,042
Weighted average number of ordinary shares in issue ('000)	807,962	806,831
Basic EPS (sen)	<b>23.0</b>	<b>27.8</b>

(b) Diluted EPS

For the purpose of calculating diluted EPS, the weighted average number of ordinary shares in issue during the financial year has been adjusted for the dilutive effects of ordinary shares issued to employees under the SGP and potential ordinary shares which may arise from the SGP grants which have not been vested as at the end of the year.

	Group	
	2019	2018
Profit for the year attributable to owners of the Company (RM'000)	185,855	224,042
Weighted average number of ordinary shares in issue ('000)	807,962	806,831
Effects of dilution of share grants ('000)	1,461	2,529
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	809,423	809,360
Diluted EPS (sen)	<b>23.0</b>	<b>27.7</b>

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12. DIVIDENDS

	Dividends in respect of the year		Dividends recognised in year	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Single-tier special dividend</b>				
8.0 sen per share on 807,475,000 ordinary shares	-	64,598	-	64,598
<b>Single-tier interim/first interim dividend</b>				
10.4 sen per share on 808,503,000 ordinary shares	84,084	-	84,084	-
14.0 sen per share on 807,475,000 ordinary shares	-	113,046	-	113,046
<b>Single-tier second interim dividend</b>				
11.6 sen per share on 807,475,000 ordinary shares	-	93,667	93,667	-
18.5 sen per share on 537,501,000 ordinary shares, in respect of the year 2017	-	-	-	99,438
	<b>84,084</b>	271,311	<b>177,751</b>	277,082

On 30 January 2020, the Board of Directors approved and declared a single-tier final dividend of 10.4 sen per share in respect of the financial year ended 31 December 2019. The dividend amounting to approximately RM84,084,000 will be payable on 28 February 2020. The dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2020.

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13. PROPERTY, PLANT AND EQUIPMENT

Group	Note	Buildings	Office equipment,	Computers	Motor	Projects-in-	Total
		and office lots (Note a) RM'000	furniture and fittings RM'000	and office automation RM'000	vehicles RM'000	progress RM'000	
<b>As at 31 December 2019</b>							
<b>Cost</b>							
At 1 January 2019		328,613	34,576	51,054	1,846	239	416,328
Additions		1,652	1,192	3,646	791	-	7,281
Reclassifications		-	-	239	-	(239)	-
Disposals		-	-	(1,940)	(1,223)	-	(3,163)
Write-offs		-	(76)	(2,340)	-	-	(2,416)
Exchange rate differences		(3)	(1)	(17)	-	-	(21)
At 31 December 2019		<b>330,262</b>	<b>35,691</b>	<b>50,642</b>	<b>1,414</b>	<b>-</b>	<b>418,009</b>
<b>Accumulated depreciation</b>							
At 1 January 2019		166,300	31,932	45,368	1,304	-	244,904
Depreciation charge for the year	6	7,334	1,082	2,657	145	-	11,218
Disposals		-	-	(1,925)	(701)	-	(2,626)
Write-offs		-	(76)	(2,340)	-	-	(2,416)
Exchange rate differences		(3)	(1)	(17)	-	-	(21)
At 31 December 2019		<b>173,631</b>	<b>32,937</b>	<b>43,743</b>	<b>748</b>	<b>-</b>	<b>251,059</b>
<b>Net carrying amount at 31 December 2019</b>							
		<b>156,631</b>	<b>2,754</b>	<b>6,899</b>	<b>666</b>	<b>-</b>	<b>166,950</b>

NOTES TO THE FINANCIAL STATEMENTS  
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13. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Group	Note	Buildings and office lots (Note a) RM'000	Office equipment, furniture and fittings RM'000	Computers and office automation RM'000	Motor vehicles RM'000	Projects-in-progress RM'000	Total RM'000
<b>As at 31 December 2018</b>							
<b>Cost</b>							
At 1 January 2018		327,827	34,569	48,434	2,511	1,426	414,767
Additions		803	938	2,158	-	202	4,101
Reclassifications		-	-	1,389	-	(1,389)	-
Disposals		-	-	-	(665)	-	(665)
Write-offs		(22)	(932)	(959)	-	-	(1,913)
Exchange rate differences		5	1	32	-	-	38
At 31 December 2018		328,613	34,576	51,054	1,846	239	416,328
<b>Accumulated depreciation</b>							
At 1 January 2018		159,001	31,866	42,865	1,737	-	235,469
Depreciation charge for the year	6	7,316	997	3,430	232	-	11,975
Disposals		-	-	-	(665)	-	(665)
Write-offs		(22)	(932)	(959)	-	-	(1,913)
Exchange rate differences		5	1	32	-	-	38
At 31 December 2018		166,300	31,932	45,368	1,304	-	244,904
<b>Net carrying amount at 31 December 2018</b>							
		162,313	2,644	5,686	542	239	171,424

NOTES TO THE FINANCIAL STATEMENTS  
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13. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Company	Note	Buildings and office lots (Note a) RM'000	Office equipment, furniture and fittings RM'000	Computers and office automation RM'000	Motor vehicles RM'000	Projects-in-progress RM'000	Total RM'000
<b>As at 31 December 2019</b>							
<b>Cost</b>							
At 1 January 2019		328,293	34,131	50,971	1,668	239	415,302
Additions		1,652	1,192	3,646	791	-	7,281
Reclassifications		-	-	239	-	(239)	-
Disposals		-	-	(1,940)	(1,223)	-	(3,163)
Write-offs		-	(76)	(2,294)	-	-	(2,370)
At 31 December 2019		329,945	35,247	50,622	1,236	-	417,050
<b>Accumulated depreciation</b>							
At 1 January 2019		165,980	31,490	45,287	1,127	-	243,884
Depreciation charge for the year	6	7,334	1,081	2,656	145	-	11,216
Disposals		-	-	(1,925)	(701)	-	(2,626)
Write-offs		-	(76)	(2,294)	-	-	(2,370)
At 31 December 2019		173,314	32,495	43,724	571	-	250,104
<b>Net carrying amount at 31 December 2019</b>							
		156,631	2,752	6,898	665	-	166,946

NOTES TO THE FINANCIAL STATEMENTS  
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13. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Company	Note	Buildings and office lots (Note a) RM'000	Office equipment, furniture and fittings RM'000	Computers and office automation RM'000	Motor vehicles RM'000	Projects-in-progress RM'000	Total RM'000
<b>As at 31 December 2018</b>							
<b>Cost</b>							
At 1 January 2018		327,512	34,103	48,373	2,333	1,426	413,747
Additions		803	938	2,158	-	202	4,101
Reclassifications		-	-	1,389	-	(1,389)	-
Disposals		-	-	-	(665)	-	(665)
Write-offs		(22)	(910)	(949)	-	-	(1,881)
At 31 December 2018		328,293	34,131	50,971	1,668	239	415,302
<b>Accumulated depreciation</b>							
At 1 January 2018		158,690	31,406	42,817	1,560	-	234,473
Depreciation charge for the year	6	7,312	994	3,419	232	-	11,957
Disposals		-	-	-	(665)	-	(665)
Write-offs		(22)	(910)	(949)	-	-	(1,881)
At 31 December 2018		165,980	31,490	45,287	1,127	-	243,884
<b>Net carrying amount at 31 December 2018</b>							
		162,313	2,641	5,684	541	239	171,418

NOTES TO THE FINANCIAL STATEMENTS  
31 DECEMBER 2019

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

(a) Buildings and office lots

Group	Buildings RM'000	Office lots RM'000	Renovations RM'000	Total RM'000
<b>As at 31 December 2019</b>				
<b>Cost</b>				
At 1 January 2019	285,960	19,862	22,791	328,613
Additions	-	-	1,652	1,652
Exchange rate differences	-	-	(3)	(3)
At 31 December 2019	285,960	19,862	24,440	330,262
<b>Accumulated depreciation</b>				
At 1 January 2019	135,916	11,863	18,521	166,300
Depreciation charge for the year	5,242	281	1,811	7,334
Exchange rate differences	-	-	(3)	(3)
At 31 December 2019	141,158	12,144	20,329	173,631
<b>Net carrying amount at 31 December 2019</b>				
	144,802	7,718	4,111	156,631
<b>As at 31 December 2018</b>				
<b>Cost</b>				
At 1 January 2018	285,960	19,862	22,005	327,827
Additions	-	-	803	803
Write-offs	-	-	(22)	(22)
Exchange rate differences	-	-	5	5
At 31 December 2018	285,960	19,862	22,791	328,613
<b>Accumulated depreciation</b>				
At 1 January 2018	130,674	11,582	16,745	159,001
Depreciation charge for the year	5,242	281	1,793	7,316
Write-offs	-	-	(22)	(22)
Exchange rate differences	-	-	5	5
At 31 December 2018	135,916	11,863	18,521	166,300
<b>Net carrying amount at 31 December 2018</b>				
	150,044	7,999	4,270	162,313

NOTES TO THE FINANCIAL STATEMENTS  
31 DECEMBER 2019

## 13. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

## (a) Buildings and office lots (cont'd.)

Company	Buildings RM'000	Office lots RM'000	Renovations RM'000	Total RM'000
<b>As at 31 December 2019</b>				
<b>Cost</b>				
At 1 January 2019	285,960	19,862	22,471	328,293
Additions	-	-	1,652	1,652
At 31 December 2019	285,960	19,862	24,123	329,945
<b>Accumulated depreciation</b>				
At 1 January 2019	135,916	11,863	18,201	165,980
Depreciation charge for the year	5,242	281	1,811	7,334
At 31 December 2019	141,158	12,144	20,012	173,314
<b>Net carrying amount at 31 December 2019</b>				
	144,802	7,718	4,111	156,631
<b>As at 31 December 2018</b>				
<b>Cost</b>				
At 1 January 2018	285,960	19,862	21,690	327,512
Additions	-	-	803	803
Write-offs	-	-	(22)	(22)
At 31 December 2018	285,960	19,862	22,471	328,293
<b>Accumulated depreciation</b>				
At 1 January 2018	130,674	11,582	16,434	158,690
Depreciation charge for the year	5,242	281	1,789	7,312
Write-offs	-	-	(22)	(22)
At 31 December 2018	135,916	11,863	18,201	165,980
<b>Net carrying amount at 31 December 2018</b>				
	150,044	7,999	4,270	162,313

 NOTES TO THE FINANCIAL STATEMENTS  
31 DECEMBER 2019

## 14. COMPUTER SOFTWARE

Group	Note	Implemented projects RM'000	Projects-in- progress RM'000	Total RM'000
<b>As at 31 December 2019</b>				
<b>Cost</b>				
At 1 January 2019		127,765	8,800	136,565
Additions		10,679	1,663	12,342
Reclassifications		3,087	(3,087)	-
Write-offs		(8,244)	-	(8,244)
At 31 December 2019		133,287	7,376	140,663
<b>Accumulated amortisation and impairment loss</b>				
At 1 January 2019		96,218	-	96,218
Amortisation charge for the year	6	9,447	-	9,447
Impairment loss for the year (Note a)	7	-	3,300	3,300
Write-offs		(8,244)	-	(8,244)
At 31 December 2019		97,421	3,300	100,721
<b>Net carrying amount at 31 December 2019</b>				
		35,866	4,076	39,942
<b>As at 31 December 2018</b>				
<b>Cost</b>				
At 1 January 2018		121,100	6,438	127,538
Additions		5,151	4,239	9,390
Reclassifications		1,877	(1,877)	-
Write-offs		(363)	-	(363)
At 31 December 2018		127,765	8,800	136,565
<b>Accumulated amortisation</b>				
At 1 January 2018		86,697	-	86,697
Amortisation charge for the year	6	9,884	-	9,884
Write-offs		(363)	-	(363)
At 31 December 2018		96,218	-	96,218
<b>Net carrying amount at 31 December 2018</b>				
		31,547	8,800	40,347

NOTES TO THE FINANCIAL STATEMENTS  
31 DECEMBER 2019

14. COMPUTER SOFTWARE (CONT'D.)

Company	Note	Implemented projects RM'000	Projects-in-progress RM'000	Total RM'000
<b>As at 31 December 2019</b>				
<b>Cost</b>				
At 1 January 2019		110,441	8,800	119,241
Additions		9,676	1,663	11,339
Reclassifications		3,087	(3,087)	-
Write-offs		(8,244)	-	(8,244)
At 31 December 2019		114,960	7,376	122,336
<b>Accumulated amortisation and impairment loss</b>				
At 1 January 2019		85,118	-	85,118
Amortisation charge for the year	6	7,748	-	7,748
Impairment loss for the year (Note a)	7	-	3,300	3,300
Write-offs		(8,244)	-	(8,244)
At 31 December 2019		84,622	3,300	87,922
<b>Net carrying amount at 31 December 2019</b>		<b>30,338</b>	<b>4,076</b>	<b>34,414</b>
<b>As at 31 December 2018</b>				
<b>Cost</b>				
At 1 January 2018		103,902	6,438	110,340
Additions		5,025	4,239	9,264
Reclassifications		1,877	(1,877)	-
Write-offs		(363)	-	(363)
At 31 December 2018		110,441	8,800	119,241
<b>Accumulated amortisation</b>				
At 1 January 2018		77,269	-	77,269
Amortisation charge for the year	6	8,212	-	8,212
Write-offs		(363)	-	(363)
At 31 December 2018		85,118	-	85,118
<b>Net carrying amount at 31 December 2018</b>		<b>25,323</b>	<b>8,800</b>	<b>34,123</b>

(a) During the current financial year, the Group and the Company carried out an assessment of its computer software that are subject to impairment loss. The assessment led to the recognition of impairment loss of RM3,300,000 (2018: Nil) as disclosed in Note 7.

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15. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(a) Right-of-use assets

	Group and Company	
	2019 RM'000	2018 RM'000
<b>Cost</b>		
At 1 January/31 December	8,518	8,518
<b>Accumulated depreciation</b>		
At 1 January	222	111
Depreciation charge for the year (Note 6)	111	111
At 31 December	333	222
<b>Net carrying amount at 31 December</b>	<b>8,185</b>	<b>8,296</b>

The Group and the Company had entered into two non-cancellable operating lease agreements for the use of land. The leases are for a period of 99 years with no renewal or purchase option included in the agreements. The leases do not allow the Group and the Company to assign, transfer or sublease or create any charge, lien or trust in respect of or dispose of the whole or any part of the land. Tenancy is, however, allowed with the consent of the lessor.

(b) Lease liabilities

	Group and Company	
	2019 RM'000	2018 RM'000
Lease liabilities:		
- non-current	7,461	7,466
- current	505	505
<b>Total lease liabilities</b>	<b>7,966</b>	<b>7,971</b>

The movement of lease liabilities during the financial year is as follows:

	Group and Company	
	2019 RM'000	2018 RM'000
At 1 January	7,971	7,975
Interest charge (Note 8)	534	534
Payments of:		
- principal	(5)	(4)
- interest	(534)	(534)
At 31 December	7,966	7,971

NOTES TO THE FINANCIAL STATEMENTS  
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16. GOODWILL

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At 1 January/31 December	42,957	42,957	29,494	29,494

Goodwill is in respect of acquisitions of subsidiaries by the Group and the Company, and has been allocated to the CGUs in the following market segments:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Securities market	33,273	33,273	29,494	29,494
Derivatives market	9,684	9,684	-	-
	42,957	42,957	29,494	29,494

Key assumptions used in value-in-use calculations

The following describes the key assumptions on which the Group and the Company have based their cash flow projections to undertake impairment assessment of goodwill:

(a) Securities and Derivatives markets

The recoverable amount of this CGU has been determined based on value-in-use calculations using five-year financial projections. Revenue growth is assumed to be at 3% per annum (2018: 5% per annum), while expenses have been assumed to grow at an average of 2% per annum (2018: 2% per annum), which is in line with the expected inflation rate. In determining the terminal values, no revenue and expense growth was projected from the sixth year to perpetuity.

(b) Discount rate

A discount rate of 8% (2018: 8%) was applied in determining the recoverable amount of the respective CGU. The discount rate was based on the Group's weighted average cost of capital.

Sensitivity to changes in assumptions

The Group and the Company believe that any changes to the key assumptions above would not result in the carrying values of the CGUs to materially exceed their recoverable amounts.

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17. INVESTMENT IN SUBSIDIARIES

	Company	
	2019 RM'000	2018 RM'000
Unquoted shares, at cost	338,836	174,183
Less: Accumulated impairment losses	(20,218)	(20,218)
	318,618	153,965

(a) During the financial year, the Company had acquired 12,500,000 ordinary shares representing the remaining 25% equity interest in Bursa Malaysia Derivatives Berhad from CME Group Strategic Investments LLC (CMEGSI) for a total cash consideration of RM164,653,000 as disclosed in Note 42. Subsequent to the acquisition, Bursa Malaysia Derivatives Berhad became a wholly owned subsidiary of the Company.

(b) The details of the subsidiaries are as follows:

Name of subsidiaries	Proportion of ownership interest		Share capital		Principal activities
	2019 %	2018 %	2019 RM'000	2018 RM'000	
Bursa Malaysia Securities Berhad (Bursa Malaysia Securities)	100	100	25,250	25,250	Provides, operates and maintains a securities exchange.
Bursa Malaysia Securities Clearing Sdn Bhd (Bursa Malaysia Securities Clearing)	100	100	50,000	50,000	Provides, operates and maintains a clearing house for the securities exchange.
Bursa Malaysia Derivatives Berhad (Bursa Malaysia Derivatives)	100	75	50,000	50,000	Provides, operates and maintains a derivatives exchange.
Bursa Malaysia Depository Sdn Bhd (Bursa Malaysia Depository)	100	100	30,000	30,000	Provides, operates and maintains a central depository for securities listed on the securities exchange.
Bursa Malaysia Islamic Services Sdn Bhd (Bursa Malaysia Islamic Services)	100	100	2,600	2,600	Provides, operates and maintains a Shariah compliant commodity trading platform.

NOTES TO THE FINANCIAL STATEMENTS  
31 DECEMBER 2019

## 17. INVESTMENT IN SUBSIDIARIES (CONT'D.)

(b) The details of the subsidiaries are as follows: (cont'd.)

Name of subsidiaries	Proportion of ownership interest		Share capital		Principal activities
	2019	2018	2019	2018	
	%	%	RM'000	RM'000	
Bursa Malaysia Information Sdn Bhd (Bursa Malaysia Information)	100	100	250	250	Compiles, provides and disseminates prices and other information relating to securities quoted on the securities and derivatives exchanges within the Group, as well as data reported from the bond platform.
Labuan International Financial Exchange Inc (LFX)*	100	100	5,500 (in USD'000)	5,500 (in USD'000)	Provides, operates and maintains an offshore financial exchange.
Bursa Malaysia Bonds Sdn Bhd (Bursa Malaysia Bonds)	100	100	2,600	2,600	Provides, operates and maintains an electronic trading platform for the bond market.
<b>Subsidiary held through Bursa Malaysia Derivatives</b>					
Bursa Malaysia Derivatives Clearing Berhad (Bursa Malaysia Derivatives Clearing)	100	75	20,000	20,000	Provides, operates and maintains a clearing house for the derivatives exchange.
<b>Subsidiary held through Bursa Malaysia Depository</b>					
Bursa Malaysia Depository Nominees Sdn Bhd (Bursa Malaysia Depository Nominees)	100	100	~	~	Acts as a nominee for Bursa Malaysia Depository and receives securities on deposit or for safe-custody or management.

\* Incorporated in the Federal Territory of Labuan, Malaysia.

~ Denotes RM2.

All subsidiaries are consolidated. The proportion of the voting rights in the subsidiaries held directly by the parent company does not differ from the proportion of ordinary shares held.

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## 18. INVESTMENT SECURITIES

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
<b>Non-current</b>				
Quoted shares (outside Malaysia)	156,542	297,993	156,542	297,993
Unquoted bonds	41,016	40,147	-	-
	<b>197,558</b>	<b>338,140</b>	<b>156,542</b>	<b>297,993</b>
<b>Current</b>				
Unquoted bonds	10,052	30,012	-	-
Commercial paper	-	4,923	-	4,923
	<b>10,052</b>	<b>34,935</b>	<b>-</b>	<b>4,923</b>
<b>Total investment securities</b>	<b>207,610</b>	<b>373,075</b>	<b>156,542</b>	<b>302,916</b>

## 19. STAFF LOANS RECEIVABLE

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Housing loans	2,068	2,631	1,720	2,247
Vehicle loans	43	43	43	43
Computer loans	54	73	51	70
	<b>2,165</b>	<b>2,747</b>	<b>1,814</b>	<b>2,360</b>
Less: Receivables within 12 months, included in other receivables (Note 22)	(375)	(460)	(351)	(425)
	<b>1,790</b>	<b>2,287</b>	<b>1,463</b>	<b>1,935</b>

## 20. DEFERRED TAX ASSETS/(LIABILITIES)

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
At 1 January	6,067	5,018	5,049	3,691
Recognised in profit or loss (Note 10)	2,401	1,131	1,577	1,417
Recognised in other comprehensive income	(7)	(82)	197	(59)
At 31 December	<b>8,461</b>	<b>6,067</b>	<b>6,823</b>	<b>5,049</b>

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20. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D.)

Presented after appropriate offsetting as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Deferred tax assets (before offsetting)	22,655	21,466	19,720	18,993
Offsetting	(13,151)	(14,011)	(12,897)	(13,944)
Deferred tax assets (after offsetting)	9,504	7,455	6,823	5,049
Deferred tax liabilities (before offsetting)	(14,194)	(15,399)	(12,897)	(13,944)
Offsetting	13,151	14,011	12,897	13,944
Deferred tax liabilities (after offsetting)	(1,043)	(1,388)	-	-
Net deferred tax assets	8,461	6,067	6,823	5,049

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when the deferred taxes relate to the same authority.

Deferred tax assets of the Group:

	Provision for retirement benefits RM'000	Other provisions and payables RM'000	Allowance for impairment loss RM'000	Depreciation in excess of capital allowances RM'000	Unused capital allowances RM'000	Unutilised tax losses RM'000	Total RM'000
<b>As at 31 December 2019</b>							
At 1 January 2019	4,341	8,197	187	31	8,441	269	21,466
Recognised in profit or loss	(230)	(671)	18	17	1,912	(54)	992
Recognised in other comprehensive income	197	-	-	-	-	-	197
At 31 December 2019	4,308	7,526	205	48	10,353	215	22,655
<b>As at 31 December 2018</b>							
At 1 January 2018	5,248	9,693	215	29	7,329	327	22,841
Recognised in profit or loss	(848)	(1,496)	(28)	2	1,112	(58)	(1,316)
Recognised in other comprehensive income	(59)	-	-	-	-	-	(59)
At 31 December 2018	4,341	8,197	187	31	8,441	269	21,466

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20. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D.)

Deferred tax liabilities of the Group:

	Right-of-use assets RM'000	Accelerated capital allowances RM'000	Investment securities - unquoted bonds RM'000	Total RM'000
<b>As at 31 December 2019</b>				
At 1 January 2019	(78)	(15,254)	(67)	(15,399)
Recognised in profit or loss	26	1,367	16	1,409
Recognised in other comprehensive income	-	-	(204)	(204)
At 31 December 2019	(52)	(13,887)	(255)	(14,194)
<b>As at 31 December 2018</b>				
At 1 January 2018	(104)	(17,668)	(51)	(17,823)
Recognised in profit or loss	26	2,414	7	2,447
Recognised in other comprehensive income	-	-	(23)	(23)
At 31 December 2018	(78)	(15,254)	(67)	(15,399)

Deferred tax assets of the Company:

	Provision for retirement benefits RM'000	Other provisions and payables RM'000	Allowance for impairment loss RM'000	Depreciation in excess of capital allowances RM'000	Unused capital allowances RM'000	Unutilised tax losses RM'000	Total RM'000
<b>As at 31 December 2019</b>							
At 1 January 2019	4,341	5,897	17	28	8,441	269	18,993
Recognised in profit or loss	(230)	(1,115)	(1)	18	1,912	(54)	530
Recognised in other comprehensive income	197	-	-	-	-	-	197
At 31 December 2019	4,308	4,782	16	46	10,353	215	19,720
<b>As at 31 December 2018</b>							
At 1 January 2018	5,248	6,789	15	24	7,329	327	19,732
Recognised in profit or loss	(848)	(892)	2	4	1,112	(58)	(680)
Recognised in other comprehensive income	(59)	-	-	-	-	-	(59)
At 31 December 2018	4,341	5,897	17	28	8,441	269	18,993

NOTES TO THE FINANCIAL STATEMENTS  
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20. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D.)

Deferred tax liabilities of the Company:

	Right-of-use assets RM'000	Accelerated capital allowances RM'000	Total RM'000
<b>As at 31 December 2019</b>			
At 1 January 2019	(78)	(13,866)	(13,944)
Recognised in profit or loss	26	1,021	1,047
At 31 December 2019	(52)	(12,845)	(12,897)
<b>As at 31 December 2018</b>			
At 1 January 2018	(104)	(15,937)	(16,041)
Recognised in profit or loss	26	2,071	2,097
At 31 December 2018	(78)	(13,866)	(13,944)

As disclosed in Note 2.3(q)(ii), the tax effects of deductible temporary differences, unutilised tax losses and unused tax credits which would give rise to net deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unutilised tax losses and unused tax credits can be utilised. At the financial year end, the amounts of unutilised tax losses and unused capital allowances which are not recognised in the financial statements due to uncertainty of their realisation are as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Unutilised tax losses	16,402	8,561	8,244	406
Unused capital allowances	7,867	5,972	7,867	5,972
	<b>24,269</b>	14,533	<b>16,111</b>	6,378

The availability of unutilised tax losses for offsetting against future taxable profits of a subsidiary in Malaysia is subject to no substantial changes in the shareholding of the subsidiary under the Income Tax Act 1967 and guidelines issued by the tax authority. The unutilised tax losses is allowed to be utilised for seven (7) consecutive years of assessments (YA) effective from YA2019, whilst unused capital allowances are allowed to be carried forward indefinitely.

NOTES TO THE FINANCIAL STATEMENTS  
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21. TRADE RECEIVABLES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Trade receivables	44,578	40,345	1,073	2,028
Less: Allowance for impairment losses	(2,318)	(1,745)	(207)	(220)
	<b>42,260</b>	38,600	<b>866</b>	1,808

22. OTHER RECEIVABLES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Deposits	738	738	619	619
Prepayments	4,909	9,695	4,876	9,580
Interest and profit income receivable	4,078	3,899	299	193
Staff loans receivable within 12 months (Note 19)	375	460	351	425
Sundry receivables	13,702	9,536	5,094	5,854
	<b>23,802</b>	24,328	<b>11,239</b>	16,671
Less: Allowance for impairment losses	(5,788)	(5,756)	(2,287)	(2,326)
	<b>18,014</b>	18,572	<b>8,952</b>	14,345

23. AMOUNT DUE FROM SUBSIDIARIES

	Company	
	2019 RM'000	2018 RM'000
Bursa Malaysia Securities	9,679	6,386
Bursa Malaysia Securities Clearing	1,235	705
Bursa Malaysia Derivatives	1,523	1,452
Bursa Malaysia Derivatives Clearing	451	480
Bursa Malaysia Depository	1,967	1,775
Bursa Malaysia Islamic Services	1,219	787
Bursa Malaysia Information	403	745
LFX	198	1
Bursa Malaysia Bonds	11,891	11,882
	<b>28,566</b>	24,213
Less: Allowance for impairment losses	(11,891)	(11,882)
	<b>16,675</b>	12,331

The amounts due from subsidiaries are unsecured, receivable within 30 days and bear late payment interest charges of 8.7% (2018: 8.9%) per annum.

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24. CASH FOR EQUITY MARGINS, DERIVATIVES TRADING MARGINS, SECURITY DEPOSITS AND EDIVIDEND DISTRIBUTIONS

	Group	
	2019	2018
	RM'000	RM'000
Equity margins	117,319	125,385
Derivatives trading margins	1,253,993	1,223,643
Security deposits from Clearing Participants (CPs) of Bursa Malaysia		
Derivatives Clearing	24,565	26,927
Trade payables (Note a)	1,395,877	1,375,955
Cash received for eDividend distributions (included in other payables (Note 32(a)))	22	40
Total cash for equity margins, derivatives trading margins, security deposits and eDividend distributions (Note b)	1,395,899	1,375,995

(a) Trade payables comprise derivatives trading margins and security deposits which are derived from cash received from CPs of Bursa Malaysia Derivatives Clearing for their open interests in derivatives contracts as at the financial year end. Trade payables also comprise collaterals lodged by Trading Clearing Participants (TCPs) of Bursa Malaysia Securities Clearing for equity margins and for borrowings under the Securities Borrowing and Lending (SBL) framework. There are no cash collaterals lodged by TCPs for borrowings under the SBL framework as at the financial year end.

(b) The cash received from CPs and TCPs are placed in interest-bearing deposits and interest earned is credited to the CPs' and TCPs' accounts net of collateral management services fees levied by Bursa Malaysia Derivatives Clearing and Bursa Malaysia Securities Clearing respectively. Cash received for eDividend distributions are placed in interest-bearing deposits until such time when the dividend payments are due. The details of the cash received are as follows:

	Group	
	2019	2018
	RM'000	RM'000
Cash on hand and at banks	147,487	245,486
Deposits with licensed financial institutions	1,248,412	1,130,509
	1,395,899	1,375,995

NOTES TO THE FINANCIAL STATEMENTS  
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24. CASH FOR EQUITY MARGINS, DERIVATIVES TRADING MARGINS, SECURITY DEPOSITS AND EDIVIDEND DISTRIBUTIONS (CONT'D.)

(c) Non-cash collaterals for equity margins, derivatives trading margins and security deposits held by, but not belonging to, the Group and which are not included in the Group's statement of financial position as at the financial year end are as follows:

	Group	
	2019	2018
	RM'000	RM'000
Collaterals in the form of letters of credit for:		
- equity margins	9,900	9,900
- derivatives trading margins	520,578	592,919
- security deposits from CPs of Bursa Malaysia Derivatives Clearing	17,000	18,000
	547,478	620,819
Collaterals in the form of shares for derivatives trading margins	413	307
	547,891	621,126

25. CASH AND BANK BALANCES OF CLEARING FUNDS

Group	Participants' contributions RM'000	Cash set aside by the Group RM'000	Total RM'000
<b>As at 31 December 2019</b>			
Contributions from:			
- TCPs of Bursa Malaysia Securities Clearing	18,920	-	18,920
- Bursa Malaysia Securities Clearing	-	25,000	25,000
Additional cash resources from Bursa Malaysia Securities Clearing	-	60,000	60,000
Clearing Guarantee Fund (CGF) balance	18,920	85,000	103,920
Contributions from:			
- CPs of Bursa Malaysia Derivatives Clearing	20,284	-	20,284
- Bursa Malaysia Derivatives Clearing	-	5,000	5,000
Derivatives Clearing Fund (DCF) balance	20,284	5,000	25,284
Total cash and bank balances of Clearing Funds as at 31 December 2019	39,204	90,000	129,204

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25. CASH AND BANK BALANCES OF CLEARING FUNDS (CONT'D.)

Group	Participants' contributions RM'000	Cash set aside by the Group RM'000	Total RM'000
<b>As at 31 December 2018</b>			
Contributions from:			
- TCPs of Bursa Malaysia Securities Clearing	18,768	-	18,768
- Bursa Malaysia Securities Clearing	-	25,000	25,000
Additional cash resources from Bursa Malaysia Securities Clearing	-	60,000	60,000
CGF balance	18,768	85,000	103,768
Contributions from:			
- CPs of Bursa Malaysia Derivatives Clearing	21,038	-	21,038
- Bursa Malaysia Derivatives Clearing	-	5,000	5,000
DCF balance	21,038	5,000	26,038
Total cash and bank balances of Clearing Funds as at 31 December 2018	39,806	90,000	129,806

26. CASH AND BANK BALANCES OF THE GROUP/COMPANY

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash on hand and at banks	4,874	3,678	1,857	1,171
Deposits with:				
Licensed banks	236,639	172,695	43,773	36,442
Licensed investment banks	10,246	46,412	5,121	6,795
	246,885	219,107	48,894	43,237
Total cash and bank balances	251,759	222,785	50,751	44,408

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following as at the financial year end:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Total cash and bank balances	251,759	222,785	50,751	44,408
Less: Deposits not for short-term funding requirements	(66,268)	(54,825)	(8,630)	(15,179)
	185,491	167,960	42,121	29,229

NOTES TO THE FINANCIAL STATEMENTS  
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27. SHARE CAPITAL

	2019		2018	
	Number of ordinary shares '000	Amount RM'000	Number of ordinary shares '000	Amount RM'000
<b>Issued and fully paid</b>				
<b>Group</b>				
At 1 January	807,475	424,142	537,501	402,169
Issued during the year pursuant to:				
- SGP (Note 30(b))	1,028	6,253	1,224	6,650
- bonus issue	-	-	268,750	15,323
At 31 December	808,503	430,395	807,475	424,142
<b>Company</b>				
At 1 January	807,475	418,892	537,501	396,919
Issued during the year pursuant to:				
- SGP (Note 30(b))	1,028	6,253	1,224	6,650
- bonus issue	-	-	268,750	15,323
At 31 December	808,503	425,145	807,475	418,892

(a) During the current financial year, the number of ordinary shares of the Group and of the Company increased from 807,475,000 to 808,503,000 by way of the issuance of 1,028,000 new ordinary shares pursuant to the SGP as disclosed in Note 30(b).

(b) In the previous financial year, the number of ordinary shares of the Group and of the Company increased from 537,501,000 to 807,475,000 by way of:

- (i) the issuance of 268,750,000 new ordinary shares via a bonus issue, credited as fully paid-up share capital on the basis of one new ordinary share for every two existing ordinary shares through capitalisation of the share premium and retained earnings of the Group and of the Company of RM119,052,000 and RM15,323,000 respectively; and
- (ii) the issuance of 1,224,000 new ordinary shares pursuant to the SGP, details of which are disclosed in Note 30(b).

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regards to the Company's residual assets.

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28. OTHER RESERVES

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Foreign currency translation reserve	(a)	566	605	-	-
Share grant reserve	(b)	4,133	6,963	4,133	6,963
Clearing fund reserves	(c)	30,000	30,000	-	-
FVTOCI reserve	(d)	115,345	213,743	114,479	213,503
		<b>150,044</b>	<b>251,311</b>	<b>118,612</b>	<b>220,466</b>

(a) Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of a subsidiary whose functional currency differs from the Group's presentation currency.

(b) Share grant reserve

The share grant reserve represents the value of equity-settled shares granted to employees under the SGP. This reserve is made up of the cumulative value of services received from employees recorded on grant of shares.

(c) Clearing fund reserves

	Note	Group	
		2019 RM'000	2018 RM'000
Amount set aside for:			
CGF, in accordance with the Rules of Bursa Malaysia Securities Clearing	(i)	25,000	25,000
DCF, in accordance with the Rules of Bursa Malaysia Derivatives Clearing	(ii)	5,000	5,000
		<b>30,000</b>	<b>30,000</b>

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28. OTHER RESERVES (CONT'D.)

(c) Clearing fund reserves (cont'd.)

(i) CGF reserve

The CGF reserve is an amount set aside following the implementation of the CGF. The minimum size of the CGF shall be at RM100,000,000 and may increase by the quantum of interest arising from investments of contributions from the TCPs. The CGF comprises contributions from the TCPs and appropriation from Bursa Malaysia Securities Clearing resources, and other financial resources. The CGF composition is disclosed in Note 25.

(ii) DCF reserve

Pursuant to the Rules of Bursa Malaysia Derivatives Clearing, Bursa Malaysia Derivatives Clearing set up a DCF for derivatives clearing and settlement. The DCF comprises contributions from CPs and appropriation of certain amounts from Bursa Malaysia Derivatives Clearing's retained earnings. The DCF composition is disclosed in Note 25.

(d) FVTOCI reserve

FVTOCI reserve represents the cumulative fair value changes, net of tax, of investment securities until they are disposed or impaired. The movement is disclosed in the statements of changes in equity.

29. RETAINED EARNINGS

The Company is able to distribute dividends out of its entire retained earnings under the single-tier tax system.

30. EMPLOYEE BENEFITS

(a) Retirement benefit obligations

Contributions to the Scheme are made to a separately administered fund. Under the Scheme, eligible employees are entitled to a lump sum, upon leaving service, calculated based on the multiplication of two times the final scheme salary, pensionable service and a variable factor based on service years, less EPF offset.

The amounts recognised in the statements of financial position were determined as follows:

	Group and Company	
	2019 RM'000	2018 RM'000
Present value of funded defined benefit obligations	18,923	19,602
Fair value of plan assets	(978)	(1,520)
Net liability arising from defined benefit obligations	<b>17,945</b>	<b>18,082</b>

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**30. EMPLOYEE BENEFITS (CONT'D.)**
**(a) Retirement benefit obligations (cont'd.)**

(i) The movements in the net defined benefit liabilities were as follows:

	Note	Group and Company		
		Present value of funded defined benefit obligations RM'000	Fair value of plan assets RM'000	Total RM'000
At 1 January 2019		19,602	(1,520)	18,082
Interest expense/(income)	5	917	(75)	842
		20,519	(1,595)	18,924
Remeasurements:				
- return on plan assets		-	59	59
- financial assumptions		628	-	628
- experience loss		132	-	132
		760	59	819
Contributions by employer		-	(1,798)	(1,798)
Payments from define plan		(2,356)	2,356	-
At 31 December 2019		18,923	(978)	17,945
At 1 January 2018		22,226	(366)	21,860
Interest expense/(income)	5	1,007	(18)	989
		23,233	(384)	22,849
Remeasurements:				
- experience gain		(246)	-	(246)
Contributions by employer		-	(4,521)	(4,521)
Payments from defined plan		(3,385)	3,385	-
At 31 December 2018		19,602	(1,520)	18,082

(ii) The plan assets comprise the following:

	Group and Company	
	2019 RM'000	2018 RM'000
Investment securities:		
- Malaysian Government Securities	563	304
Cash and bank balances	421	1,219
Other receivables	8	5
Other payables	(14)	(8)
	978	1,520

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**30. EMPLOYEE BENEFITS (CONT'D.)**
**(a) Retirement benefit obligations (cont'd.)**

(iii) Principal actuarial assumptions used for determination of the defined benefits obligation are as follows:

	Group and Company	
	2019 %	2018 %
Discount rate	4.0	4.9
Expected rate of salary increase	5.0	5.0

The discount rate is determined based on the values of AA-rated corporate bond yields with 3 to 15 years maturity.

(iv) The sensitivity analysis below has been derived based on changes to individual assumptions, with all other assumptions held constant:

	Group and Company			
	Discount rate		Salary increment rate	
	Increase by 1% RM'000	Decrease by 1% RM'000	Increase by 1% RM'000	Decrease by 1% RM'000
<b>At 31 December 2019</b>				
(Decrease)/Increase in defined benefit obligations	(676)	720	638	(612)
<b>At 31 December 2018</b>				
(Decrease)/Increase in defined benefit obligations	(796)	852	776	(741)

The sensitivity analysis presented above may not be representative of the actual change in defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation to one another as some assumptions may be correlated.

No changes were made to the methods and types of assumptions used in preparing the sensitivity analysis for the current and previous financial years.

30. EMPLOYEE BENEFITS (CONT'D.)

(b) SGP

The SGP is governed by the By-Laws approved by the shareholders at an Extraordinary General Meeting held on 14 April 2011. The SGP was implemented on 18 April 2011 and is in force for a maximum period of 10 years.

The SGP comprises two types of performance-based awards, namely RSP and PSP.

The salient features and terms of the SGP are as follows:

- (i) The Committee (appointed by the Board of Directors to administer the SGP) may, at its discretion where necessary, direct the implementation and administration of the plan. The Committee may, at any time within the duration of the plan, offer RSP and PSP awards under the SGP to eligible employees and/or Executive Directors of the Group, wherein such offers shall lapse should the eligible employees or Executive Directors of the Group fail to accept the same within the periods stipulated.
- (ii) To facilitate the implementation of the SGP, a Trust to be administered in accordance to the Trust Deed by the Trustee appointed by the Company was established. The Trustee shall subscribe for new ordinary shares in the Company and transfer the shares to eligible employees and/or Executive Directors of the Group participating in the SGP. The Trustee will obtain financial funding from the Company and/or its subsidiaries and/or third parties for purposes of administering the Trust.
- (iii) The total number of shares to be issued under the SGP shall not exceed, in aggregate, 10% of the issued and paid-up share capital (excluding treasury shares) of the Company at any point of time during the tenure of the SGP and out of which not more than 50% of the maximum shares available shall be allocated, in aggregate, to Executive Directors and senior management of the Group. In addition, not more than 10% of the maximum shares available under the SGP shall be allocated to any individual employee or Executive Director who, either individually or collectively through persons connected with him/her, holds 20% or more in the issued and paid-up capital of the Company.
- (iv) All new ordinary shares issued pursuant to the SGP will rank pari passu in all respects with the then existing ordinary shares of the Company, except that the new ordinary shares so issued will not be entitled to any rights, dividends or other distributions declared, made or paid to shareholders prior to the date of allotment of such new ordinary shares, and will be subject to all the provisions of the Constitution of the Company relating to transfer, transmission or otherwise.
- (v) Unless otherwise determined by the Committee in accordance with the By-Laws, the shares granted will only be vested to the eligible employees and/or Executive Directors of the Group who have duly accepted the offer of awards under the SGP, on their respective vesting dates, provided the following vesting conditions are fully and duly satisfied:
  - Eligible employees and/or Executive Directors of the Group must remain in employment with the Group and shall not have given notice of resignation or received notice of termination of service as at the vesting dates.
  - In respect of the PSP, eligible employees and/or Executive Directors of the Group having achieved his/her performance targets as stipulated by the Committee and as set out in their offer of awards.

30. EMPLOYEE BENEFITS (CONT'D.)

(b) SGP (cont'd.)

The following table illustrates the movement of shares under the SGP during the financial year:

	Group and Company					At 31 December '000
	At 1 January '000	Bonus issue '000	Granted '000	Vested (Note (i)) '000	Forfeited '000	
<b>2019</b>						
2016 grants:						
RSP	447	-	-	(423)	(24)	-
PSP	363	-	-	-	(363)	-
2017 grants:						
RSP	639	-	-	(290)	(43)	306
PSP	248	-	-	-	(82)	166
2018 grants:						
RSP	979	-	-	(315)	(81)	583
PSP	264	-	-	-	(66)	198
	<b>2,940</b>	<b>-</b>	<b>-</b>	<b>(1,028)</b>	<b>(659)</b>	<b>1,253</b>
<b>2018</b>						
2015 grants:						
RSP	321	155	-	(465)	(11)	-
PSP	395	185	-	-	(580)	-
2016 grants:						
RSP	630	302	-	(442)	(43)	447
PSP	289	133	-	-	(59)	363
2017 grants:						
RSP	680	326	-	(311)	(56)	639
PSP	197	91	-	-	(40)	248
2018 grants:						
RSP	-	-	1,023	(6)	(38)	979
PSP	-	-	288	-	(24)	264
	<b>2,512</b>	<b>1,192</b>	<b>1,311</b>	<b>(1,224)</b>	<b>(851)</b>	<b>2,940</b>

- (i) During the current financial year, the share grants vested of 1,028,000 new ordinary shares included a total of 48,000 (2018: 29,000) new ordinary shares issued to the former Chief Executive Officer of the Group and of the Company pursuant to the SGP.

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**30. EMPLOYEE BENEFITS (CONT'D.)**
**(b) SGP (cont'd.)**

As disclosed in Note 27, the share grants vested during the financial year resulted in the issuance of 1,028,000 (2018: 1,224,000) new ordinary shares. The weighted average share price at the date of vesting for the financial year was RM6.08 (2018: RM5.44).

There is no new SGP granted in the current financial year. The outstanding share grants at the end of the financial year are to be vested on specific dates in the following periods:

- (i) The 2018 grants are to be vested within the next 2 years.
- (ii) The 2017 grants are to be vested within the next year.

**Fair value of shares granted in the previous financial year**

The fair values of shares granted in the previous financial year were measured at grant date and the assumptions were as follows:

- (i) The fair value of RSP shares granted on 18 April 2018 was estimated using a discounted cash flow model, taking into account the vesting conditions upon which the RSP shares were granted. The weighted average fair value of the RSP shares at the grant date was RM6.89. An average expected dividend yield of 3.9% was used in measuring the fair values.
- (ii) The performance conditions for the PSP include a non-market based hurdle and a market based hurdle. The non-market based hurdle is valued using a discounted cash flow model while the market based hurdle uses assumptions underlying the Black-Scholes methodology to produce a Monte-Carlo simulation. The key assumptions used in these models are as follows:

	2018
Grant date	27 April
Share price	RM7.26
Expected dividend yield	4.3%
Expected volatility	15.0%
Risk free rate	3.7%

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**31. DEFERRED INCOME**

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Deferred grants (Note a)	2,331	2,805	1,529	1,871
Deferred revenue (Note b)	719	-	-	-
	<b>3,050</b>	<b>2,805</b>	<b>1,529</b>	<b>1,871</b>

- (a) The deferred grants of the Group refer to grants from the Capital Market Development Fund (CMDF) and the Securities Commission Malaysia for the development of the bond trading platform, the development of clearing facilities and the licence for the order management system for the derivatives market, the construction of an Environmental, Social and Governance (ESG) index, and the development of the Exchange Traded Funds (ETFs) market. The deferred grants of the Company refers to the grant from the CMDF for the development of the bond trading platform, the construction of an ESG index and the development of the ETFs market. There are no conditions or contingencies attached to these grants. The movements in the deferred grants are as below:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At 1 January	2,805	2,028	1,871	972
Grant income (Note 4)	(979)	(1,338)	(847)	(1,206)
Received during the year	505	2,105	505	2,105
At 31 December	<b>2,331</b>	<b>2,805</b>	<b>1,529</b>	<b>1,871</b>

- (b) The deferred revenue refers to the initial listing fees earned from initial public offerings for which the Group recognises the revenue over a period of time when the services are provided.

**32. OTHER PAYABLES**

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Accruals	21,670	22,869	17,166	18,990
Amount due to Securities Commission Malaysia	5,883	4,141	-	-
Capital Market Education and Integrity Fund	16,552	18,919	16,552	18,919
Deferred revenue	1,204	-	-	-
Provision for employee benefits	19,683	25,153	18,670	24,037
Receipts in advance	4,873	4,849	524	795
Sundry payables	23,641	21,567	7,265	6,458
	<b>93,506</b>	<b>97,498</b>	<b>60,177</b>	<b>69,199</b>

- (a) Included in sundry payables of the Group is cash received for eDividend distributions amounting to RM22,000 (2018: RM40,000).

**32. OTHER PAYABLES (CONT'D.)**

(b) Receipts in advance of the Group and of the Company represent contract liabilities to customers. The movements in the receipts in advance are as below:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At 1 January	4,849	6,690	795	603
Received during the year	3,924	3,990	264	549
Income recognised in profit or loss	(3,900)	(5,831)	(535)	(357)
At 31 December	4,873	4,849	524	795

**33. BURSA MALAYSIA DEPOSITORY - COMPENSATION FUND (DEPOSITORY - CF)**

In 1997, pursuant to the provisions of Section 5(1)(b)(vii) of the Securities Industry (Central Depositories) Act 1991, Bursa Malaysia Depository, a wholly-owned subsidiary of the Company, established a scheme of compensation for the purpose of settling claims by depositors against Bursa Malaysia Depository, its authorised depository agents and Bursa Malaysia Depository Nominees. The scheme comprises monies in the Depository - CF and insurance policies. Bursa Malaysia Depository's policy is to maintain the balance in the Depository - CF at RM50,000,000. In consideration for the above, all revenue accruing to the Depository - CF's deposits and investments are to be credited to Bursa Malaysia Depository and all expenses incurred for and on behalf of the Depository - CF will be paid for by Bursa Malaysia Depository.

The net assets of the fund are as follows:

	2019 RM'000	2018 RM'000
Depository - CF	50,000	50,000

The assets of the fund are segregated from the financial statements of the Group and are accounted for separately.

**34. OPERATING LEASE ARRANGEMENTS**

**(a) The Group and the Company as lessor of building**

The Company has entered into operating lease agreements as the lessor, for the rental of office space in its building. The lease period is three years, with renewal option for another three years included in the agreements. The leases have a fixed rental rate for the existing lease period with an upward revision to the rental rate for the renewed lease period.

The future aggregate minimum lease payments receivable under operating leases contracted for as at the financial year end but not recognised as receivables are as follows:

	Group and Company	
	2019 RM'000	2018 RM'000
Not later than one year	1,012	950
Later than one year and not later than five years	458	1,187
	1,470	2,137

The rental income for the financial years are disclosed in Note 4.

**(b) The Company as lessor of building**

The Company has entered into an operating lease arrangement with its subsidiaries for the use of office space. The lease is for a period of three years and shall be automatically renewed for further periods of three years for each renewal unless terminated.

The future aggregate minimum lease payments receivable under the operating leases contracted for as at the financial year end but not recognised as receivables are as follows:

	Company	
	2019 RM'000	2018 RM'000
Not later than one year	4,740	4,740
Later than one year and not later than five years	9,480	14,221
	14,220	18,961

Office space rental income earned by the Company for the current and previous financial years are disclosed in Notes 3 and 36(a).

**(c) The Company as lessor of computer equipment**

The Company has entered into an operating lease arrangement with its subsidiaries for the use of computer equipment. The computer equipment is leased between three to ten years with no purchase option included in the contract.

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34. OPERATING LEASE ARRANGEMENTS (CONT'D.)

(c) The Company as lessor of computer equipment (cont'd.)

The future aggregate minimum lease payments receivable under the operating leases contracted for as at the financial year end but not recognised as receivables are as follows:

	Company	
	2019 RM'000	2018 RM'000
Not later than one year	9,356	8,794
Later than one year and not later than five years	19,692	15,987
Later than five years	3,395	2,114
	<b>32,443</b>	<b>26,895</b>

Income from the lease of computer equipment for the current and previous financial years are disclosed in Notes 3 and 36(a).

35. CAPITAL COMMITMENTS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Approved and contracted for:</b>				
Computers and office automation	3,988	2,193	3,988	2,193
Office equipment and renovation	124	364	124	364
	<b>4,112</b>	<b>2,557</b>	<b>4,112</b>	<b>2,557</b>
<b>Approved but not contracted for:</b>				
Computers and office automation	1,323	2,851	1,323	2,842
Office equipment and renovation	1,313	-	1,313	-
	<b>2,636</b>	<b>2,851</b>	<b>2,636</b>	<b>2,842</b>

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36. SIGNIFICANT RELATED PARTY DISCLOSURES

(a) Transactions with subsidiaries

Significant transactions between the Company and its subsidiaries are as follows:

	2019 RM'000	2018 RM'000
Management fees income from:		
Bursa Malaysia Securities	88,277	87,918
Bursa Malaysia Derivatives	12,272	12,591
Bursa Malaysia Securities Clearing	10,388	9,663
Bursa Malaysia Derivatives Clearing	5,340	5,480
Bursa Malaysia Depository	19,137	19,349
Bursa Malaysia Information	5,783	5,867
Bursa Malaysia Islamic Services	8,341	7,903
Bursa Malaysia Bonds	2	2
LFX	15	15
	<b>149,555</b>	<b>148,788</b>
Office space rental income from:		
Bursa Malaysia Securities	1,881	1,881
Bursa Malaysia Derivatives	926	926
Bursa Malaysia Securities Clearing	228	228
Bursa Malaysia Depository	1,197	1,197
Bursa Malaysia Information	132	132
Bursa Malaysia Islamic Services	376	376
	<b>4,740</b>	<b>4,740</b>
Lease of computer equipment from:		
Bursa Malaysia Securities	7,252	8,089
Bursa Malaysia Derivatives	696	722
Bursa Malaysia Securities Clearing	506	390
Bursa Malaysia Derivatives Clearing	141	125
Bursa Malaysia Depository	698	579
Bursa Malaysia Information	143	126
Bursa Malaysia Islamic Services	1,332	1,330
	<b>10,768</b>	<b>11,361</b>
Dividend income from:		
Bursa Malaysia Securities	95,000	110,000
Bursa Malaysia Derivatives	139	20,399
Bursa Malaysia Securities Clearing	40,000	50,000
Bursa Malaysia Depository	49,000	49,000
Bursa Malaysia Information	17,000	18,000
Bursa Malaysia Islamic Services	4,000	5,000
	<b>205,139</b>	<b>252,399</b>

36. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D.)

(a) Transactions with subsidiaries (cont'd.)

Management fees charged to subsidiaries are in respect of operational and administrative functions of the subsidiaries which are performed by employees of the Company.

Information regarding the amount due from subsidiaries arising from the related party transactions as at the financial year end are disclosed in Note 23.

The Directors are of the opinion that the above transactions have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

(b) Transactions with other related parties

Government-linked and other entities are related to the Company by virtue of the substantial shareholding of a government body corporate in the Company. The transactions entered into with these entities have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

The disposals of motor vehicles to the former Chairman and former Chief Executive Officer of the Company are disclosed in Note 4(a).

(c) Compensation of key management personnel

Key management personnel refers to the Directors and the management committee of the Group and of the Company. Other than the remuneration of Directors disclosed in Note 9, the remuneration of the management committee during the current and previous financial years are as follows:

	Group and Company	
	2019 RM'000	2018 RM'000
Short-term employee benefits	9,396	11,091
Contributions to defined contribution plan - EPF	1,005	1,475
SGP	313	1,079
	<b>10,714</b>	<b>13,645</b>

Included in total remuneration of the management committee are:

	Group and Company	
	2019 RM'000	2018 RM'000
Executive Director's remuneration (Note 9)	2,246	3,933
Benefits-in-kind (Note 9)	70	35
	<b>2,316</b>	<b>3,968</b>

36. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D.)

(c) Compensation of key management personnel (cont'd.)

The previous Executive Director of the Group and of the Company and other management committee have been granted the following number of shares under the SGP:

	Group and Company	
	2019 '000	2018 '000
At 1 January	830	766
Bonus issue	-	342
Granted during the year	-	345
Forfeited during the year	(405)	(495)
Vested during the year	(112)	(128)
At 31 December	<b>313</b>	<b>830</b>

The remuneration of each key senior management personnel during the current and previous financial years are as follows:

	Salary	Bonus	Defined contribution plan - EPF	Other emoluments	Benefits-in-kind	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>2019</b>						
Datuk Muhamad Umar Swift*	1,265	-	210	7	35	1,517
Datuk Seri Tajuddin bin Atan**	163	-	38	563	35	799
Samuel Ho Hock Guan	1,140	247	-	627	-	2,014
Selvarany Rasiah***	886	192	189	295	-	1,562
Datin Azalina binti Adham***	634	137	139	266	-	1,176
Yew Yee Tee****	675	146	155	252	-	1,228
Rosidah binti Baharom	593	129	132	249	-	1,103
Jamaluddin bin Nor Mohamad****	79	-	20	220	-	319
Mahdzir bin Othman	540	117	121	217	-	995
<b>2018</b>						
Datuk Seri Tajuddin bin Atan	1,440	1,440	418	635	35	3,968
Selvarany Rasiah	886	379	212	431	-	1,908
Datin Azalina binti Adham	634	158	142	464	-	1,398
Yew Yee Tee	540	135	130	394	-	1,199
Rosidah binti Baharom	479	120	111	401	-	1,111
Jamaluddin bin Nor Mohamad	564	242	140	292	-	1,238
Mahdzir bin Othman	540	45	113	214	-	912

\* Appointed on 11 February 2019.

\*\* Retired on 11 February 2019.

\*\*\* Non-renewal of fixed term contract due to cessation of the Chief Commercial Officer and Chief Operating Officer positions under the new organisation structure of the Group and of the Company which takes effect from 1 January 2020.

\*\*\*\* Non-renewal of fixed term contract.

**37. CONTINGENT LIABILITY**

In connection with the partial disposal of Bursa Malaysia Derivatives on 30 November 2009, the Company had entered into put and call options with the CME Group Inc (CME Group) over the ordinary shares of Bursa Malaysia Derivatives representing the 25% equity interest disposed to the CME Group. The exercise price for the put and call options shall be determined based on a pre-agreed formula which takes into consideration the performance of Bursa Malaysia Derivatives and other peer exchanges.

As further elaborated in Note 42(a), on 16 September 2019, CME Group exercised its put option which required the Company to acquire the remaining 25% equity interest (i.e. 12,500,000 ordinary shares) in Bursa Malaysia Derivatives. The total consideration of RM164,653,000 for this acquisition was settled by the Company on 6 December 2019.

As at the financial year end, there is no contingent liability.

**38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Group and the Company are exposed to market risk (which comprises equity price risk, interest/profit rate risk and foreign currency risk), liquidity risk and credit risk arising from their business activities.

The Group and the Company ensure that the above risks are managed in order to minimise the effects of the unpredictability of the financial markets on the performance of the Group and of the Company. There has been no change in the nature of the risks which the Group and the Company are exposed to, nor to the objectives, policies and processes to manage those risks compared to the previous financial year.

**(a) Market risk: Equity price risk**

Equity price risk is the risk that the value of an equity instrument will fluctuate as a result of changes in market prices. The Group and the Company are exposed to equity price risk through the Company's holding of shares in the CME Group. The shares were obtained as part of the purchase consideration in the strategic alliance forged with the CME Group.

The Group and the Company monitor the value of the equity holding by considering the movements of the quoted price, the potential future value to the Group and the sell down restrictions surrounding the equity holding.

An increase/decrease of 1% (2018: 1%) in the quoted price of the instrument would result in an increase/decrease in equity of the Group and of the Company of RM1,565,000 (2018: RM2,980,000).

**(b) Market risk: Interest/profit rate risk**

Interest/profit rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest/profit rates. The Group's and the Company's deposits with licensed financial institutions and commercial paper are carried at a fixed rate and therefore is not affected by the movements in market interest/profit rates.

**38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)**

**(b) Market risk: Interest/profit rate risk (cont'd.)**

**Interest/profit rate risk sensitivity**

The Group is exposed to interest/profit rate risk through the holding of unquoted bonds.

The following table demonstrates the sensitivity of the Group's equity to a 25 basis points (2018: 25 basis points) increase/decrease in interest/profit rates with all other variables held constant:

	Group	
	2019 RM'000	2018 RM'000
Effects on equity if:		
- increase by 25 basis points	(243)	(250)
- decrease by 25 basis points	243	250

The sensitivity is the effect of the assumed changes in interest/profit rates on changes in fair value of investment securities for the year, based on revaluing fixed rate financial assets as at the financial year end.

**Interest/profit rate exposure**

The following table analyses the Group's and the Company's interest/profit rate exposure. The unquoted bonds, commercial paper and deposits with licensed financial institutions are categorised by maturity dates.

Group	Maturity			Effective interest/profit rate %
	Less than one year RM'000	One to five years RM'000	Total RM'000	
<b>At 31 December 2019</b>				
Investment securities:				
- unquoted bonds	10,052	41,016	51,068	4.48
Deposits with licensed financial institutions:				
- cash set aside by the Group for Clearing Funds	90,000	-	90,000	3.36
- cash and bank balances	246,885	-	246,885	3.40
<b>At 31 December 2018</b>				
Investment securities:				
- unquoted bonds	30,012	40,147	70,159	4.46
- commercial paper	4,923	-	4,923	4.30
Deposits with licensed financial institutions:				
- cash set aside by the Group for Clearing Funds	90,000	-	90,000	3.89
- cash and bank balances	219,107	-	219,107	3.75

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38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk: Interest/profit rate risk (cont'd.)

Company	Maturity less than one year RM'000	Effective interest/profit rate %
<b>At 31 December 2019</b>		
Deposits with licensed financial institutions:		
- cash and bank balances	48,894	3.42
<b>At 31 December 2018</b>		
Investment securities:		
- commercial paper	4,923	4.30
Deposits with licensed financial institutions:		
- cash and bank balances	43,237	3.79

(c) Market risk: Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates such as that in United States Dollar (USD), Sterling Pound (GBP), Singapore Dollar (SGD), Japanese Yen (JPY) and Euro (EUR). The Group and the Company are exposed to foreign currency risk primarily through the holding of CME Group shares which are denominated in USD, and transactions in USD and GBP.

The Group and the Company do not hedge their currency exposures. The following table shows the accumulated amount of material financial assets and liabilities which are unhedged:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Financial assets - denominated in USD</b>				
Investment securities:				
- shares quoted outside Malaysia	156,542	297,993	156,542	297,993
Trade receivables	5,052	1,801	-	-
	<b>161,594</b>	<b>299,794</b>	<b>156,542</b>	<b>297,993</b>
<b>Financial liabilities</b>				
Other payables:				
- denominated in USD	4,983	4,380	175	-
- denominated in GBP	-	352	-	352

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38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(c) Market risk: Foreign currency risk (cont'd.)

The Group is not exposed to foreign currency risk from the holding of margins and collaterals as the risks are borne by the participants. The following table depicts this through the netting off of monies held as margins and collaterals against the corresponding liabilities.

Group	USD RM'000	SGD RM'000	JPY RM'000	EUR RM'000	Total RM'000
<b>At 31 December 2019</b>					
<b>Financial assets</b>					
Cash for equity margins, derivatives trading margins, security deposits and eDividend distributions	264,904	218	188	-	265,310
<b>Financial liabilities</b>					
Trade payables	(264,904)	(218)	(188)	-	(265,310)
	-	-	-	-	-
<b>At 31 December 2018</b>					
<b>Financial assets</b>					
Cash for equity margins, derivatives trading margins, security deposits and eDividend distributions	312,753	218	2,254	18,328	333,553
<b>Financial liabilities</b>					
Trade payables	(312,753)	(218)	(2,254)	(18,328)	(333,553)
	-	-	-	-	-

The following table demonstrates the sensitivity of the Group's and of the Company's profit after tax and equity to a reasonable possible change in the exchange rates against the respective functional currencies of the Group and of the Company, with all other variables held constant.

	Group		Company	
	Profit after tax RM'000	Equity RM'000	Profit after tax RM'000	Equity RM'000
<b>At 31 December 2019</b>				
USD - strengthens by 5% against RM	3	7,830	(7)	7,820
<b>At 31 December 2018</b>				
USD - strengthens by 5% against RM	(98)	14,802	-	14,900
GBP - strengthens by 5% against RM	(13)	(13)	(13)	(13)

An equivalent weakening of the foreign currencies as shown above would have resulted in an equivalent, but opposite, impact.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(d) Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting its financial obligations due to a shortage of funds.

(i) Liabilities related risk

The Group and the Company maintain sufficient levels of cash and cash equivalents to meet working capital requirements. The Group and the Company also maintain a reasonable level of banking facilities for contingency requirements.

The table below summarises the maturity profile of the Group's and of the Company's liabilities at the financial year end based on contractual undiscounted repayment obligations.

	Maturity				
	On demand	Less than one year	One year to five years	Five years and above	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Group</b>					
<b>At 31 December 2019</b>					
Other payables which are financial liabilities*	19,355	10,169	-	-	29,524
Lease liabilities	-	505	2,188	36,487	39,180
	19,355	10,674	2,188	36,487	68,704
<b>At 31 December 2018</b>					
Other payables which are financial liabilities*	18,066	7,642	-	-	25,708
Lease liabilities	-	505	2,189	37,025	39,719
	18,066	8,147	2,189	37,025	65,427

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(d) Liquidity risk (cont'd.)

(i) Liabilities related risk (cont'd.)

	Maturity				
	On demand	Less than one year	One year to five years	Five years and above	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Company</b>					
<b>At 31 December 2019</b>					
Other payables which are financial liabilities*	3,988	3,277	-	-	7,265
Lease liabilities	-	505	2,188	36,487	39,180
	3,988	3,782	2,188	36,487	46,445
<b>At 31 December 2018</b>					
Other payables which are financial liabilities*	3,344	3,114	-	-	6,458
Lease liabilities	-	505	2,189	37,025	39,719
	3,344	3,619	2,189	37,025	46,177

\* Other payables which are financial liabilities include amount due to the Securities Commission Malaysia and sundry payables as disclosed in Note 32.

(ii) Clearing and settlement related risk

The clearing house subsidiaries of the Group act as a counterparty to eligible trades concluded on the securities and derivatives markets through the novation of obligations of the buyers and sellers. The Group mitigates this exposure by establishing financial criteria for admission as participants, monitoring participants' position limits and requiring that margins and collaterals on outstanding positions be placed with the clearing houses. CGF and DCF, as disclosed in Note 25, were set up to further mitigate this risk.

**38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)**
**(d) Liquidity risk (cont'd.)**
**(ii) Clearing and settlement related risk (cont'd.)**

The liabilities and corresponding assets in relation to clearing and settlement risk as at the financial year end are shown below:

	Note	Group On demand	
		2019 RM'000	2018 RM'000
<b>Current assets</b>			
Cash for equity margins, derivatives trading margins and security deposits	24	1,395,877	1,375,955
Cash and bank balances of Clearing Funds:			
- participants' contribution	25	39,204	39,806
<b>Current liabilities</b>			
Trade payables	24(a)	(1,395,877)	(1,375,955)
Participants' contribution to Clearing Funds	25	(39,204)	(39,806)
		-	-

**(e) Credit risk**

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group and the Company are exposed to credit risk primarily from their investment securities, staff loans receivable, trade receivables, other receivables which are financial assets, and cash and bank balances.

As at the current and previous financial year end, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial asset recognised on the statements of financial position.

For investment securities and cash and bank balances, the Group and the Company minimise credit risk by adopting an investment policy which only allows dealing with counterparties with good credit ratings. The Group and the Company closely monitor the credit worthiness of their counterparties by reviewing their credit ratings and credit profiles on a regular basis. Receivables are monitored to ensure that exposure to bad debts is minimised.

**38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)**
**(e) Credit risk (cont'd.)**
**Investment securities and cash and bank balances**

The counterparty risk rating of the Group's and of the Company's investment securities and cash and bank balances rated by credit rating agencies (i.e. RAM Holdings Berhad and Malaysian Rating Corporation Berhad) as at the financial year end is as follows:

	Government Guaranteed RM'000	Counterparty risk rating				Total RM'000
		P1 RM'000	AAA RM'000	AA RM'000	A RM'000	
<b>Group</b>						
<b>At 31 December 2019</b>						
Investment securities:						
- unquoted bonds	10,268	-	10,103	30,697	-	51,068
Cash and bank balances*	-	-	952,653	759,053	65,156	1,776,862
<b>At 31 December 2018</b>						
Investment securities:						
- unquoted bonds	15,063	-	14,969	40,127	-	70,159
- commercial paper	-	4,923	-	-	-	4,923
Cash and bank balances*	-	-	1,051,545	613,820	63,221	1,728,586
<b>Company</b>						
<b>At 31 December 2019</b>						
Cash and bank balances	-	-	12,601	35,390	2,760	50,751
<b>At 31 December 2018</b>						
Investment securities:						
- commercial paper	-	4,923	-	-	-	4,923
Cash and bank balances	-	-	12,013	32,395	-	44,408

\* Cash and bank balances include cash for equity margins, derivatives trading margins, security deposits and eDividend distributions, cash and bank balances of Clearing Funds, and the Group's cash and bank balances.

The Group's and the Company's investment securities are rated as investment grade and the allowance for impairment loss is measured on the basis of 12-months expected credit losses (ECL). As at the financial year end, there is no significant increase in credit risk for investment securities since initial recognition. The movements in the allowance for impairment loss on investment securities are as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At 1 January	150	254	23	-
(Reversal of impairment loss)/impairment loss for the year (Note 7)	(89)	(104)	(23)	23
At 31 December	61	150	-	23

NOTES TO THE FINANCIAL STATEMENTS  
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38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(e) Credit risk (cont'd.)

Receivables

The ageing analysis of the Group's and of the Company's gross receivables (before deducting allowance for impairment loss) are as follows:

Note	Total RM'000	Credit impaired RM'000	Not past due RM'000	Not credit impaired					Total past due RM'000
				Past due					
				< 30 days RM'000	31 - 60 days RM'000	61 - 90 days RM'000	91 - 180 days RM'000	> 181 days RM'000	
<b>Group</b>									
<b>At 31 December 2019</b>									
Staff loans receivable	19	2,165	-	2,165	-	-	-	-	-
Trade receivables	21	44,578	1,654	35,099	3,704	1,429	278	1,943	471
Other receivables which are financial assets*	22	18,518	5,700	12,818	-	-	-	-	-
<b>At 31 December 2018</b>									
Staff loans receivable	19	2,747	-	2,747	-	-	-	-	-
Trade receivables	21	40,345	1,141	33,103	2,779	2,032	279	413	598
Other receivables which are financial assets*	22	14,173	5,751	8,422	-	-	-	-	-
<b>Company</b>									
<b>At 31 December 2019</b>									
Staff loans receivable	19	1,814	-	1,814	-	-	-	-	-
Trade receivables	21	1,073	195	117	490	42	2	70	157
Other receivables which are financial assets*	22	6,012	2,270	3,742	-	-	-	-	-
Amount due from subsidiaries	23	28,566	11,891	16,675	-	-	-	-	-
<b>At 31 December 2018</b>									
Staff loans receivable	19	2,360	-	2,360	-	-	-	-	-
Trade receivables	21	2,028	192	632	670	98	101	64	271
Other receivables which are financial assets*	22	6,666	2,321	4,345	-	-	-	-	-
Amount due from subsidiaries	23	24,213	11,882	12,331	-	-	-	-	-

\* Other receivables which are financial assets include deposits, interest receivables and sundry receivables.

NOTES TO THE FINANCIAL STATEMENTS  
31 DECEMBER 2019

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(e) Credit risk (cont'd.)

Receivables (cont'd.)

Receivables that are neither past due nor credit impaired are creditworthy debtors with good payment records with the Group and with the Company. The credit terms for trade receivables range from 7 days to 30 days, except for trade receivables relating to fees due from clearing participants for clearing and settlement services whereby the payments are due two market days from the month end effective from 29 April 2019 (Prior to 29 April 2019, the payments were due three market days from the month end).

None of the Group's and the Company's receivables that are neither past due nor credit impaired have been renegotiated during the current and previous financial years.

The Group and the Company have no significant concentration of credit risk that may arise from exposures to a single clearing participant or counterparty.

Receivables are not secured by any collaterals or credit enhancements other than as disclosed in Note 24.

Impairment on receivables

The Group and the Company apply the simplified approach whereby allowance for impairment losses are measured at lifetime ECL. The movement of the allowance for impairment losses on receivables is as follows:

Group	Trade receivables			Other receivables		
	Lifetime ECL allowance RM'000	Credit impaired RM'000	Total allowance RM'000	Lifetime ECL allowance RM'000	Credit impaired RM'000	Total allowance RM'000
At 1 January 2019	604	1,141	1,745	5	5,751	5,756
Charge/(Reversal) for the year	60	513	573	83	(51)	32
At 31 December 2019	664	1,654	2,318	88	5,700	5,788
At 1 January 2018	596	584	1,180	4	5,888	5,892
Charge/(Reversal) for the year	8	557	565	1	(137)	(136)
At 31 December 2018	604	1,141	1,745	5	5,751	5,756

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(e) Credit risk (cont'd.)

Impairment on receivables (cont'd.)

	Trade receivables			Other receivables			Amount due from subsidiary
	Lifetime ECL allowance	Credit impaired	Total allowance	Lifetime ECL allowance	Credit impaired	Total allowance	Credit impaired
Company	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2019	28	192	220	5	2,321	2,326	11,882
(Reversal)/Charge for the year	(16)	3	(13)	12	(51)	(39)	9
At 31 December 2019	12	195	207	17	2,270	2,287	11,891
At 1 January 2018	22	115	137	4	2,366	2,370	11,875
Charge/(Reversal) for the year	6	77	83	1	(45)	(44)	7
At 31 December 2018	28	192	220	5	2,321	2,326	11,882

- (a) Receivables that are individually determined to be credit impaired at the financial year end relate to debtors who are in significant financial difficulties and have defaulted on payments.
- (b) The Group's allowance for impairment loss on trade and other receivables during the financial years increased by RM605,000 (2018: RM429,000) mainly due to the provision for higher impaired trade receivables.
- (c) The Company's allowance for impairment loss on trade and other receivables during the current financial year decreased by RM52,000 mainly due to the recovery of bad debts. In the previous financial year, the Company's allowance for impairment loss on trade and other receivables increased by RM39,000 mainly due to the provision for higher impaired trade receivables.

39. CLASSIFICATION OF FINANCIAL INSTRUMENTS

The Group's and the Company's financial assets and financial liabilities are measured on an ongoing basis at either fair value or at amortised cost based on their respective classification. The significant accounting policies in Note 2.3 describe how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the financial assets and financial liabilities of the Group and of the Company in the statements of financial position by the classes and categories of financial instruments to which they are assigned by their measurement basis.

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
<b>Assets</b>				
<b>Financial assets at FVTOCI</b>				
Investment securities:				
- quoted shares (outside Malaysia)	156,542	297,993	156,542	297,993
- unquoted bonds	51,068	70,159	-	-
	<b>207,610</b>	<b>368,152</b>	<b>156,542</b>	<b>297,993</b>
<b>Financial assets at amortised cost</b>				
Investment securities:				
- commercial paper	-	4,923	-	4,923
Staff loans receivable	2,165	2,747	1,814	2,360
Trade receivables	42,260	38,600	866	1,808
Other receivables which are financial assets*	12,730	8,417	3,725	4,340
Amount due from subsidiaries	-	-	16,675	12,331
Cash for equity margins, derivatives trading margins, security deposits and eDividend distributions	1,395,899	1,375,995	-	-
Cash and bank balances of Clearing Funds	129,204	129,806	-	-
Cash and bank balances	251,759	222,785	50,751	44,408
	<b>1,834,017</b>	<b>1,783,273</b>	<b>73,831</b>	<b>70,170</b>
<b>Total financial assets</b>	<b>2,041,627</b>	<b>2,151,425</b>	<b>230,373</b>	<b>368,163</b>
<b>Liabilities</b>				
<b>Financial liabilities at amortised cost</b>				
Trade payables	1,395,877	1,375,955	-	-
Participants' contributions to Clearing Funds	39,204	39,806	-	-
Other payables which are financial liabilities**	29,524	25,708	7,265	6,458
Lease liabilities	7,966	7,971	7,966	7,971
	<b>1,472,571</b>	<b>1,449,440</b>	<b>15,231</b>	<b>14,429</b>

\* Other receivables which are financial assets include deposits, interest receivables and sundry receivables, net of allowance for impairment loss, as disclosed in Note 22.

\*\* Other payables which are financial liabilities include amount due to the Securities Commission Malaysia and sundry payables as disclosed in Note 32.

40. FAIR VALUE

(a) Financial instruments that are carried at fair value

Investment securities are measured at fair value at different measurement hierarchies (i.e. Levels 1, 2 and 3). The hierarchies reflect the level of objectiveness of inputs used when measuring the fair values.

(i) Level 1: Quoted prices (unadjusted) of identical assets in active markets

Shares quoted outside Malaysia are measured at Level 1. The fair value of quoted shares is determined directly by reference to its published market bid price as at the financial year end.

(ii) Level 2: Inputs other than at quoted prices included within Level 1 that are observable for the asset, either directly (i.e. prices) or indirectly (i.e. derived from prices)

Unquoted bonds are measured at Level 2. The fair value of unquoted bonds is determined by reference to the published market bid price of unquoted fixed income securities based on information provided by Bond Pricing Agency Malaysia Sdn Bhd.

(iii) Level 3: Inputs for the asset that are not based on observable market data (unobservable inputs)

The Group and the Company do not have any financial instruments measured at Level 3 in the current and previous financial years.

Group	Level 1 RM'000	Level 2 RM'000	Total RM'000
<b>At 31 December 2019</b>			
Investment securities:			
- quoted shares (outside Malaysia)	156,542	-	156,542
- unquoted bonds	-	51,068	51,068
	<b>156,542</b>	<b>51,068</b>	<b>207,610</b>
<b>At 31 December 2018</b>			
Investment securities:			
- quoted shares (outside Malaysia)	297,993	-	297,993
- unquoted bonds	-	70,159	70,159
	<b>297,993</b>	<b>70,159</b>	<b>368,152</b>

40. FAIR VALUE (CONT'D.)

(a) Financial instruments that are carried at fair value (cont'd.)

Company	Level 1 RM'000
<b>At 31 December 2019</b>	
Investment securities:	
- quoted shares (outside Malaysia)	156,542
<b>At 31 December 2018</b>	
Investment securities:	
- quoted shares (outside Malaysia)	297,993

There were no transfers between Level 1 and Level 2 during the current and previous financial years.

The Group and the Company do not have any financial liabilities carried at fair value as at 31 December 2019 and 31 December 2018.

(b) Financial instruments that are not carried at fair value

The carrying amount of the financial instruments carried at amortised cost, other than staff loans receivable, are reasonable approximation of their fair values due to their short-term nature.

	Note
Investment securities - commercial paper	18
Trade receivables	21
Other receivables which are financial assets (except staff loans receivable within 12 months)	22
Amount due from subsidiaries	23
Cash for equity margins, derivatives trading margins, security deposits and eDividend distributions	24
Cash and bank balances of Clearing Funds	25
Cash and bank balances of the Group/Company	26
Trade payables	24(a)
Participants' contributions to Clearing Funds	25
Other payables which are financial liabilities	32

The carrying amount of staff loans receivable approximates its fair value, and is estimated by discounting the expected future cash flows using the current interest rates for loans with similar risk profiles. The staff loans receivable is measured at Level 3 under the measurement hierarchy.

40. FAIR VALUE (CONT'D.)

(b) Financial instruments that are not carried at fair value (cont'd.)

	Group		Company	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
<b>At 31 December 2019</b>				
Staff loans receivable (Note 19)	2,165	2,084	1,814	1,754
<b>At 31 December 2018</b>				
Staff loans receivable (Note 19)	2,747	2,646	2,360	2,275

41. CAPITAL MANAGEMENT

The Group manages its capital with the objective of maximising shareholders' returns. To achieve this, the Group takes into consideration and ensures the sufficiency of funds for operations, risk management and development. Although the Group's policy is to distribute at least 75% of its profits to shareholders, it has been thus far paying at least 90% of its profits every year whilst ensuring that its pool of funds for future development is at a sufficient level.

The Group is not subject to any externally imposed capital requirements. However, the Group is required to set aside funds for the CGF and DCF in accordance with the business rules of its clearing house subsidiaries.

Total capital managed at Group level, which comprises shareholders' funds and deferred capital grants, stood at RM763,096,000 (2018: RM877,963,000) as at the end of the financial year.

There has been no change in the above capital management objectives, policies and processes compared to the previous year.

42. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) Acquisition of the remaining 25% equity interest in Bursa Malaysia Derivatives

On 16 September 2019, CME Group exercised its put option under the Shareholders Agreement entered into between the Company, Bursa Malaysia Derivatives, CMEGSI and CME Group on 30 November 2009 (Shareholders Agreement), which required the Company to acquire the 12,500,000 ordinary shares in Bursa Malaysia Derivatives from CMEGSI at RM164,653,000 based on the considerations below:

- (i) the Put Option Price of RM162,471,000 for the acquisition of 12,500,000 ordinary shares, which represents the remaining 25% equity interest in Bursa Malaysia Derivatives. This valuation was based on the pre-agreed valuation formula as defined in the Shareholders Agreement (the Formula) which took into consideration the earnings before interest, taxes, depreciation and amortisation (EBITDA) of Bursa Malaysia Derivatives and its subsidiary, and the enterprise value over EBITDA multiple of 17.8 times which was derived based on 12 listed exchanges as prescribed in the Formula; and

42. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONT'D.)

(a) Acquisition of the remaining 25% equity interest in Bursa Malaysia Derivatives (cont'd.)

- (ii) an additional sum of RM2,182,000 which was based on the 25% of the 70% of Bursa Malaysia Derivatives' operating profit before tax for the second and third quarters of the financial year ended 31 December 2019 (Additional Sum).

On 18 September 2019, the Board of Directors (Board) of the Company approved the Put Option Price, while the Additional Sum was determined on 21 November 2019 after the finalisation of Bursa Malaysia Derivatives' second and third quarters financial results. Subsequently, the total consideration of RM164,653,000 for the said acquisition was settled by the Company on 6 December 2019.

The Group accounted for these transactions as an equity transaction with the owners of the Company and derecognised the non-controlling interest of RM15,994,000 in accordance with the provisions of MFRS 10 *Consolidated Financial Statements*. The difference between the Put Option Price including the Additional Sum and the derecognised non-controlling interest of RM148,659,000 was offset against the retained earnings of the Group in the statements of changes in equity.

(b) Disposal of investment securities - quoted shares (outside Malaysia)

During the current financial year, the Group and the Company sold a portion of its investment in quoted shares accounted for at FVTOCI totaling 191,885 ordinary shares of CME Group Class A common stock at a cost of RM42,425,000 for RM164,223,000 and realised a gain on disposal of RM121,798,000. This disposal was undertaken to finance the acquisition of the remaining 25% equity interest in Bursa Malaysia Derivatives from CMEGSI. Upon the disposal of these quoted shares, the Group and the Company had transferred the realised gain of RM121,798,000 from the FVTOCI reserve to retained earnings accordingly.

43. SEGMENT INFORMATION

(a) Reporting format

For management reporting purposes, the Group is organised into operating segments based on market segments as the Group's risks and rates of return are affected predominantly by the macro environment of the different markets.

The securities, derivatives and others market segments are managed by the respective segment divisional heads responsible for the performance of the respective segments under their charge.

NOTES TO THE FINANCIAL STATEMENTS  
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43. SEGMENT INFORMATION (CONT'D.)

(b) Market segments (cont'd.)

The four major market segments of the Group are as follows:

- (i) The securities market mainly comprises the provision and operation of the listing, trading, clearing, depository services and provision and dissemination of information relating to equity securities quoted on the securities exchange.
- (ii) The derivatives market mainly comprises the provision and operation of the trading, clearing, depository services and provision and dissemination of information relating to derivative products quoted on the derivatives exchange.
- (iii) The exchange holding business refers to the operation of the Company which functions as an investment holding company.
- (iv) Others mainly comprise the provision of a Shariah compliant commodity trading platform, a reporting platform for bond traders and the provision of an exchange for the offshore market.

(c) Allocation basis and transfer pricing

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets and liabilities, overheads and income tax expenses.

The Group monitors the operating results of its market segments separately for the purpose of making decisions about resource allocation and performance assessment.

Transfer prices between the market segments are set on an arm's length basis in a manner similar to transactions with third parties.

NOTES TO THE FINANCIAL STATEMENTS  
31 DECEMBER 2019

43. SEGMENT INFORMATION (CONT'D.)

Market segments

Group	Securities Market RM'000	Derivatives Market RM'000	Exchange Holding Company RM'000	Others RM'000	Total RM'000
<b>At 31 December 2019</b>					
Operating revenue	372,247	85,979	7,462	14,447	480,135
Other income	12,315	2,031	7,813	195	22,354
Direct costs	(88,851)	(48,594)	(31,029)	(7,133)	(175,607)
Segment profit/(loss)	295,711	39,416	(15,754)	7,509	326,882
Overheads					(71,117)
Profit before tax					255,765
<b>Segment assets</b>					
Assets	360,148	115,025	280,351	23,943	779,467
Clearing Funds	103,920	25,284	-	-	129,204
Cash for equity margins, derivatives trading margins, security deposits and eDividend distributions	117,341	1,278,558	-	-	1,395,899
Segment assets	581,409	1,418,867	280,351	23,943	2,304,570
Unallocated corporate assets					16,470
Total assets					2,321,040
<b>Segment liabilities</b>					
Liabilities	38,484	13,682	55,525	14,754	122,445
Participants' contribution to Clearing Funds	18,920	20,284	-	-	39,204
Equity margins, derivatives trading margins, security deposits and eDividend distributions	117,341	1,278,558	-	-	1,395,899
Segment liabilities	174,745	1,312,524	55,525	14,754	1,557,548
Unallocated corporate liabilities					2,727
Total liabilities					1,560,275

NOTES TO THE FINANCIAL STATEMENTS  
31 DECEMBER 2019

43. SEGMENT INFORMATION (CONT'D.)

Market segments (cont'd.)

Group	Securities Market RM'000	Derivatives Market RM'000	Exchange Holding Company RM'000	Others RM'000	Total RM'000
<b>At 31 December 2019</b>					
<b>Other information</b>					
Depreciation and amortisation in:					
- segments	5,527	1,801	155	1,159	8,642
- overheads	-	-	-	-	12,134
Other significant non-cash expenses:					
Net impairment loss/(reversal of impairment loss)/ on:					
- computer software	-	-	3,300	-	3,300
- investment securities	(65)	-	(24)	-	(89)
- trade and other receivables	563	116	(51)	(23)	605
Retirement benefit obligations	-	-	-	-	842
SGP expense in:					
- segments	1,740	155	376	83	2,354
- overheads	-	-	-	-	1,069
<b>At 31 December 2018</b>					
Operating revenue	409,465	90,769	7,652	15,405	523,291
Other income	13,927	1,845	10,694	247	26,713
Direct costs	(87,623)	(46,813)	(30,740)	(6,843)	(172,019)
Segment profit/(loss)	335,769	45,801	(12,394)	8,809	377,985
Overheads					(69,810)
Profit before tax					308,175
<b>Segment assets</b>					
Assets	370,088	93,534	428,587	26,134	918,343
Clearing Funds	103,768	26,038	-	-	129,806
Cash for equity margins, derivatives trading margins, security deposits and eDividend distributions					
	125,425	1,250,570	-	-	1,375,995
Segment assets	599,281	1,370,142	428,587	26,134	2,424,144
Unallocated corporate assets					10,416
Total assets					2,434,560

NOTES TO THE FINANCIAL STATEMENTS  
31 DECEMBER 2019

43. SEGMENT INFORMATION (CONT'D.)

Market segments (cont'd.)

Group	Securities Market RM'000	Derivatives Market RM'000	Exchange Holding Company RM'000	Others RM'000	Total RM'000
<b>At 31 December 2018</b>					
<b>Segment liabilities</b>					
Liabilities	33,168	12,749	64,775	15,624	126,316
Participants' contribution to Clearing Funds	18,768	21,038	-	-	39,806
Equity margins, derivatives trading margins, security deposits and eDividend distributions					
	125,425	1,250,570	-	-	1,375,995
Segment liabilities	177,361	1,284,357	64,775	15,624	1,542,117
Unallocated corporate liabilities					4,994
Total liabilities					1,547,111
<b>Other information</b>					
Depreciation and amortisation in:					
- segments	6,388	1,837	835	1,392	10,452
- overheads	-	-	-	-	11,518
Other significant non-cash expenses:					
Net (reversal of impairment loss)/ impairment loss on:					
- investment securities	(129)	-	25	-	(104)
- trade and other receivables	357	20	39	13	429
Retirement benefit obligations	-	-	-	-	989
SGP expense in:					
- segments	3,373	848	559	126	4,906
- overheads	-	-	-	-	1,858

section  
**07**
**Appendices**

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# NOTICE OF 43<sup>RD</sup> ANNUAL GENERAL MEETING

## BURSA MALAYSIA BERHAD

Registration No: 197601004668 (30632-P)

(Incorporated in Malaysia under the Companies Act 2016)

**NOTICE IS HEREBY GIVEN THAT** the 43<sup>rd</sup> Annual General Meeting (AGM) of Bursa Malaysia Berhad (the Company) will be held at the Nexus Ballrooms 2 & 3, Connexion Conference & Event Centre, Level 3A, Nexus, Bangsar South, No. 7, Jalan Kerinchi, 59200 Kuala Lumpur on Tuesday, 31 March 2020 at 10.00 a.m. for the transaction of the following business:

### Ordinary Business

- To receive the Audited Financial Statements for the financial year ended 31 December 2019 and the Reports of the Directors and Auditors thereon.
- To re-elect the following Directors who retire by rotation in accordance with Article 18.4 of the Company's Constitution and who being eligible offer themselves for re-election:
  - Datuk Karownikaran @ Karunakaran a/l Ramasamy; and
  - Encik Pushpanathan a/l S.A. Kanagarayar.
- To re-elect the following Directors who retire in accordance with Article 18.11 of the Company's Constitution and who being eligible offer themselves for re-election:
  - Puan Uji Sherina binti Abdullah; and
  - Professor Joseph Cherian.
- To approve the payment of Directors' fees amounting to RM300,000 per annum for the Non-Executive Chairman and RM200,000 per annum for each of the Non-Executive Directors in respect of the financial year ended 31 December 2019.
- To approve the payment of benefits payable to the Non-Executive Chairman and Non-Executive Directors up to an amount of RM2,200,000 from 1 April 2020 until the next AGM of the Company.
- To appoint Ernst & Young PLT as Auditors of the Company for the financial year ending 31 December 2020 and to authorise the Board of Directors to determine their remuneration.
- To transact any other business of which due notice shall have been given in accordance with the Companies Act 2016 and the Company's Constitution.

**Resolution 1  
Resolution 2**

**Resolution 3  
Resolution 4**

**Resolution 5**

**Resolution 6**

**Resolution 7**

**FURTHER NOTICE IS HEREBY GIVEN THAT** for the purpose of determining a member who shall be entitled to attend this 43<sup>rd</sup> AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 15.9 of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 24 March 2020. Only a depositor whose name appears on the Record of Depositors as at 24 March 2020 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

### BY ORDER OF THE BOARD

Yong Hazadurah binti Md. Hashim, LS0006674  
 Hong Soo Yong, MAICSA 7026744  
 Company Secretaries

Kuala Lumpur  
 2 March 2020

## NOTICE OF 43<sup>RD</sup> ANNUAL GENERAL MEETING BURSA MALAYSIA BERHAD

Registration No: 197601004668 (30632-P)

(Incorporated in Malaysia under the Companies Act 2016)

Notes:

### 1. Proxy

- 1.1 Every Member including authorised nominees as defined under the Securities Industry (Central Depositories) Act 1991 (SICDA), and Exempt Authorised Nominees who holds ordinary shares in the Company for multiple owners in one securities account (Omnibus Account), is entitled to appoint another person as his proxy to exercise all or any of his rights to attend, participate, speak and vote instead of him at the AGM, and that such proxy need not be a Member.
- 1.2 Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.
- 1.3 The instrument appointing a proxy shall be in writing under the hand of the Member or of his attorney duly authorised in writing, or if the Member is a corporation, shall either be executed under its common seal or under the hand of two (2) authorised officers, one of whom shall be a director, or its attorney duly authorised in writing. Any alteration to the instrument appointing a proxy must be initialled.
- 1.4 The instrument appointing a proxy must be deposited at the office of the Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, no later than Monday, 30 March 2020 at 10.00 a.m.
- 1.5 Pursuant to Paragraph 8.29A of Bursa Malaysia Securities Berhad Main Market Listing Requirements, all resolutions set out in the Notice of the 43<sup>rd</sup> AGM will be put to vote on a poll.

### 2. Audited Financial Statements for financial year ended 31 December 2019

The audited financial statements are laid in accordance with Section 340(1)(a) of the Companies Act (CA) 2016 for discussion only under Agenda 1. They do not require shareholders' approval and hence, will not be put for voting.

### 3. Ordinary Resolutions 1 and 2: Re-election of Directors who retire in accordance with Article 18.4 of the Company's Constitution

- 3.1 Article 18.4 of the Constitution provides that one-third (1/3) of the Directors of the Company excluding the Public Interest Directors (PIDs) for the time being or if their number is not a multiple of three (3), then the number nearest to one-third (1/3) shall retire by rotation at an AGM of the Company and be eligible for re-election. Out of the current Board size of ten (10), three (3) are PIDs. Hence, two (2) out of seven (7) Directors are to retire in accordance with Article 18.4 of the Constitution.
  - (a) For the purpose of determining the eligibility of the Directors to stand for re-election at the 43<sup>rd</sup> AGM, the Board through its Governance and Nomination Committee (GNC) had assessed each of the retiring Directors, and considered the following:
    - (i) The Director's performance and contribution based on the Self and Peer Assessment (SPA) results of the Board Effectiveness Evaluation (BEE) 2018/2019;
    - (ii) The Director's level of contribution to the Board deliberations through his skills, experience and strength in qualities; and
    - (iii) The level of independence demonstrated by the Director, and his ability to act in the best interests of the Company in decision-making.

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- (b) In line with Practice 5.1 of the Malaysian Code on Corporate Governance, the Board had conducted an assessment of the Directors of the Company based on the relevant performance criteria which include the following:
  - (i) Will and ability to critically challenge and ask the right questions;
  - (ii) Character and integrity in dealing with potential conflict of interest situations;
  - (iii) Commitment to serve the company, due diligence and integrity;
  - (iv) Confidence to stand up for a point of view;
  - (v) Fit and properness;
  - (vi) Calibre and personality;
  - (vii) Board dynamics and participation;
  - (viii) Competency and capability;
  - (ix) Independence and objectivity; and
  - (x) Contribution and performance.

Based on the Directors' SPA results of the BEE 2018/2019, the individual Directors met the performance criteria required of an effective and a high performance Board. In addition, each of the Non-Executive Directors (NEDs) has also provided annual declaration/confirmation of independence in the fourth quarter of 2019.

- (c) Based on the above, the Board approved the GNC's recommendation that the Directors who retire in accordance with Article 18.4 of the Constitution are eligible to stand for re-election. These two (2) retiring Directors had abstained from deliberations and decisions on their own eligibility to stand for re-election at the relevant Board and Committee meetings.
- 3.2 Section 10(1)(b) of the Capital Markets and Services Act 2007 (CMSA) provides that the appointment, re-appointment, election or re-election as a Director of the Company is subject to concurrence by the Securities Commission Malaysia (SC). In this respect, the SC's concurrence had been obtained via its letter dated 18 February 2020 on the proposed re-election of the Directors (under **Resolutions 1 and 2**) pursuant to Section 10(1)(b) of the CMSA.
- ### 4. Ordinary Resolutions 3 and 4: Re-election of Directors who retire in accordance with Article 18.11 of the Company's Constitution
- 4.1 Article 18.11 of the Constitution provides that any Director appointed by the Board shall hold office only until the next following AGM and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at that meeting.
    - (a) Puan Uji Sherina binti Abdullah was appointed as Independent Non-Executive Director of the Company on 18 November 2019. The SC had on 18 February 2020 provided its concurrence on her re-election as Director (under **Resolution 3**) pursuant to Section 10(1)(b) of the CMSA.
    - (b) Professor Joseph Cherian was appointed as Independent Non-Executive Director of the Company on 1 January 2020. The SC had on 18 February 2020 provided its concurrence on his re-election as Director (under **Resolution 4**) pursuant to Section 10(1)(b) of the CMSA.
  - 4.2 Any Director referred to in **Resolutions 1 to 4**, who is a shareholder of the Company will abstain from voting on the resolution in respect of his/her re-election at the 43<sup>rd</sup> AGM.

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**5. Directors' remuneration - fees and benefits payable to the NEDs**

5.1 Section 230(1) of the CA 2016 provides amongst others, that "the fees" of the directors and "any benefits" payable to the directors of a listed company and its subsidiaries shall be approved at a general meeting. In this respect, the Board agreed that the shareholders' approval shall be sought at the 43<sup>rd</sup> AGM on the Directors' remuneration in two (2) separate resolutions as below:

- (a) **Resolution 5** on payment of Directors' fees in respect of the preceding year 2019; and
- (b) **Resolution 6** on payment of Directors' benefits from 1 April 2020 to the next AGM in 2021.

**5.2 Ordinary Resolution 5: Directors' fees**

In 2017, an independent Board remuneration review was conducted by an external consultant, Korn Ferry/Hay Group (KFHG), with the view to attract and retain individuals with strong credentials and high calibre to serve on the Board of the Company. Further to this, a Board Remuneration policy was developed where the fees for the NEDs for financial year (FY) 2017 was recommended and subsequently approved. In 2018, an annual remuneration review was conducted by the Board Remuneration Committee (RC), and the Directors' fees for the FY 2018 was maintained the same as the previous FY 2017.

In November 2019, the RC conducted a Board remuneration review to ascertain the competitiveness of the same having regard to various factors including the Board remuneration framework of comparable public listed financial services companies and dominant provider companies in Malaysia as well as other comparable exchanges. The Board subsequently approved the RC's recommendation for the Directors' fees in respect of the FY 2019 to remain unchanged, as they are still competitive and at par with the prevalent market rate, as set out in the table below:

Directors' Fees (as approved at AGMs)	FY2017	FY2018	Approval sought for FY2019
<b>Non-Executive Chairman</b>	RM300,000	RM300,000	RM300,000
<b>Non-Executive Director</b>	RM200,000	RM200,000	RM200,000

The payment of the NEDs' fees in respect of the preceding FY 2019 will only be made if the proposed **Resolution 5** has been passed at the 43<sup>rd</sup> AGM pursuant to Article 19.1 of the Company's Constitution and Section 230(1)(b) of the CA 2016.

**5.3 Ordinary Resolution 6: Benefits payable to the NEDs**

The benefits payable to the NEDs comprise the allowances and other emoluments payable to the Chairman and members of the Board, Board of subsidiaries, Board Committees and such other committees as may be established by the Board.

- (a) At the 42<sup>nd</sup> AGM of the Company held on 28 March 2019, the benefits payable to the NEDs of the Company from 29 March 2019 until the 43<sup>rd</sup> AGM of the Company on 31 March 2020 was approved for an amount of up to RM2,200,000. The utilisation of this approved amount as at 31 December 2019 is RM1,448,150. Based on the schedule of meetings in the first quarter of 2020, an amount of RM520,000 is expected to be utilised for payment of meeting allowance, fixed allowance and other benefits to the NEDs. Hence, the expected total utilised amount would be approximately 89% of the approved amount.

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- (b) The Directors' benefits based on the Board Remuneration Review conducted by KFHG in 2017 were approved by the shareholders at the 41<sup>st</sup> AGM on 28 March 2018. Since then, they remain applicable to commensurate with the Directors' responsibilities, commitment and contribution with reference to their statutory duties, the complexity of the Group's businesses and the increased expectations from various stakeholders, given the unique nature of Bursa Malaysia Berhad (Bursa Malaysia) being a regulator and a listed entity. The current benefits payable to the NEDs are as summarised in the table below:

Description	Chairman	NEDs / Member
<b>Meeting Allowance (per meeting)</b>		
• Board of Bursa Malaysia	RM3,000	RM3,000
• Board of Functional Subsidiary	RM3,000	RM3,000
• Board Committee	RM3,000	RM3,000
<b>Fixed Allowance</b>		
• Board of Functional Subsidiary	RM20,000 per annum	RM12,000 per annum (RM1,000 per month)
• Board Committee	RM20,000 per annum	RM12,000 per annum (RM1,000 per month)
<b>Monthly Fixed Allowance [Note 1]</b>	RM52,000	Not Applicable
<b>Other Benefits</b>	Club membership, medical coverage, travel and other claimable benefits	Medical coverage, travel and other claimable benefits

Note:

1. Monthly fixed allowance to the Chairman of Bursa Malaysia being an Exchange Holding Company and listed entity is made, in recognition of the significant roles in leadership and oversight, and the wide-ranging scope of responsibilities expected of her, as well as the fact that she does not serve on the boards of any other listed companies or market participants regulated by Bursa Malaysia.
  2. The Chief Executive Officer/Executive Director does not receive any Directors' remuneration.
- (c) The total amount of benefits payable to the NEDs is estimated to be up to RM2,200,000 from 1 April 2020 to the next AGM in 2021 (Current Period), based on the current Board Remuneration Policy and taking into account various factors including the number of scheduled meetings for the Board, Board of Subsidiaries and Board Committees as well as the number of NEDs involved in these meetings.
  - (d) The approved amount and the current proposal in respect of the payment of benefits to the NEDs at the following AGMs are as below:

Directors' Benefits (as approved at AGMs)	41 <sup>st</sup> AGM on 28 March 2018	42 <sup>nd</sup> AGM on 28 March 2019	Approval sought at 43 <sup>rd</sup> AGM
Up to an amount of	RM2,400,000 (from 29 March 2018 to 28 March 2019)	RM2,200,000 (from 29 March 2019 to 31 March 2020)	RM2,200,000 (from 1 April 2020 to 44 <sup>th</sup> AGM in 2021)

Payment of benefits to the NEDs will be made by the Company and its subsidiaries on a monthly basis and/or as and when incurred, if the proposed **Resolution 6** has been passed at the 43<sup>rd</sup> AGM. The Board is of the view that it is just and equitable for the NEDs to be paid the Directors' remuneration (excluding Directors' fees) on a monthly basis and/or as and when incurred, particularly after they have discharged their responsibilities and rendered their services to the Company and its subsidiaries throughout the Current Period.

- 5.4 Any NEDs who are shareholders of the Company will abstain from voting on **Resolutions 5 and 6** concerning remuneration to the NEDs at the 43<sup>rd</sup> AGM.

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### 6. Ordinary Resolution 7: Appointment of Auditors

6.1 The Audit Committee (AC) at its meeting held on 29 January 2020 undertook an annual assessment of the suitability and independence of the external auditors, Ernst & Young (EY) in accordance with the revised Auditor Independence Policy of the Group which was approved by the Board in November 2019. In its assessment, the AC considered several factors which include the following:

- (a) Quality of EY's performance and their communications with the AC and Bursa Malaysia group, based on feedback obtained via assessment questionnaires from Bursa Malaysia personnel who had substantial contact with the external audit team and EY throughout the year;
- (b) Adequacy of experience and resources provided to the Group by EY, in terms of the firm and the professional staff assigned to the audit; and
- (c) Independence of EY and the level of non-audit services to be rendered by EY to the Company for the FY 2020.

The AC also took into account the openness in communication and interaction with the lead audit engagement partner and engagement team through discussions at the private meetings, which demonstrated their independence, objectivity and professionalism.

6.2 The AC was satisfied with the suitability of EY based on the quality of audit, performance, competency and sufficiency of resources the external audit team provided to the Group. The AC was also satisfied in its review that the provisions of non-audit services by EY to the Company for the FY 2019 did not in any way impair their objectivity and independence as external auditors of Bursa Malaysia.

6.3 The Board at its meeting held on 30 January 2020 approved the AC's recommendation for the shareholders' approval to be sought at the 43<sup>rd</sup> AGM on the appointment of EY as external auditors of the Company for the FY 2020, under **Resolution 7** in accordance with Section 340(1)(c) and Section 274(1)(a) of the CA 2016.

## STATEMENT ACCOMPANYING NOTICE OF 43<sup>RD</sup> ANNUAL GENERAL MEETING

(PURSUANT TO PARAGRAPH 8.27(2) OF BURSA MALAYSIA SECURITIES BERHAD MAIN MARKET LISTING REQUIREMENTS)

A. The profiles of the Directors who are standing for re-election as per Agenda 2 of the Notice of 43<sup>rd</sup> AGM are as follows:

Description	Resolution 1
	<b>Datuk Karownikaran @ Karunikaran a/l Ramasamy Senior Independent Non-Executive Director</b>
<b>Nationality/ Age/ Gender:</b>	<b>Malaysian/ 69/ Male</b>
<b>Date of Appointment:</b>	<b>28 March 2013</b>
<b>Length of Service (as at 31 January 2020):</b>	<b>6 years 10 months</b>
<b>Date of Last Re-election:</b>	<b>28 March 2018</b>
<b>Academic/Professional Qualification(s):</b>	<b>Bachelor of Economics (Hons) in Accounting, University of Malaya</b>
<b>Present Directorship(s):</b>	<b>Listed entities:</b> <ul style="list-style-type: none"> <li>• <b>Malayan Banking Berhad</b></li> <li>• <b>IOI Corporation Berhad</b></li> <li>• <b>Chairman, Integrated Logistics Berhad</b></li> </ul> <b>Other public companies:</b> <ul style="list-style-type: none"> <li>• <b>Chairman, Etiqa International Holdings Berhad</b></li> <li>• <b>Chairman, Maybank Ageas Holdings Berhad</b></li> </ul>
<b>Past Directorship(s) and/or Appointment(s):</b>	<ul style="list-style-type: none"> <li>• <b>Chairman, Etiqa Life Insurance Berhad (January-December 2018)</b></li> <li>• <b>Chairman, Etiqa General Insurance Berhad (formerly known as Etiqa Insurance Berhad) (March 2016-December 2018)</b></li> <li>• <b>Chairman, Etiqa Family Takaful Berhad (formerly known as Etiqa Takaful Berhad) (2016-2017)</b></li> <li>• <b>Director, Maybank (Cambodia) PLC (2012-2017)</b></li> <li>• <b>Director, Maybank Asset Management Group Berhad (2012-2016)</b></li> <li>• <b>Director, Chemical Company of Malaysia Berhad (2011-2014)</b></li> <li>• <b>Director, Maybank Investment Bank Berhad (2009-2014)</b></li> <li>• <b>Director-General, Malaysian Investment Development Authority (MIDA) (2004-2008)</b></li> <li>• <b>Deputy Director-General, MIDA (2001-2003)</b></li> <li>• <b>Director, Industrial Promotion Division overseeing 16 MIDA overseas offices (1996-2000)</b></li> <li>• <b>Director, MIDA in Singapore, Germany and London (1978-1995)</b></li> </ul>

Datuk Karownikaran @ Karunikaran Ramasamy does not hold any shares in Bursa Malaysia, has no family relationship with any Director and/or major shareholder of Bursa Malaysia, has no conflict of interest with Bursa Malaysia and has not been convicted of any offence within the past five years and has not been imposed any penalty by the relevant regulatory bodies during the FY 2019.

STATEMENT ACCOMPANYING NOTICE OF 43<sup>RD</sup> ANNUAL GENERAL MEETING

(PURSUANT TO PARAGRAPH 8.27(2) OF BURSA MALAYSIA SECURITIES BERHAD MAIN MARKET LISTING REQUIREMENTS)

Description	Resolution 2
	<b>Pushpanathan a/l S.A. Kanagarayar Independent Non-Executive Director</b>
<b>Nationality/ Age/ Gender:</b>	<b>Malaysian/ 68/ Male</b>
<b>Date of Appointment:</b>	<b>23 June 2014</b>
<b>Length of Service (as at 31 January 2020):</b>	<b>5 years 7 months</b>
<b>Date of Last Re-election:</b>	<b>28 March 2018</b>
<b>Academic/Professional Qualification/Membership(s):</b>	<ul style="list-style-type: none"> <li>• Institute of Chartered Accountants of Scotland (Member)</li> <li>• Malaysian Institute of Certified Public Accountants (MICPA) (Member)</li> <li>• Malaysian Institute of Accountants (MIA) (Member)</li> </ul>
<b>Present Directorship(s):</b>	<p><b>Listed entities:</b></p> <ul style="list-style-type: none"> <li>• IJM Corporation Berhad</li> <li>• IJM Plantations Berhad</li> </ul> <p><b>Other public companies:</b></p> <ul style="list-style-type: none"> <li>• Asian Institute of Finance Berhad (In Members' Voluntary Winding-up)</li> <li>• Sun Life Malaysia Assurance Berhad</li> </ul>
<b>Present Appointment(s):</b>	<ul style="list-style-type: none"> <li>• Council Member, MICPA</li> <li>• Trustee, World Wildlife Fund Malaysia</li> <li>• Director, Malaysian Community Education Foundation</li> <li>• Chairman, Malaysian Financial Reporting Standards (MFRS) Application &amp; Implementation Committee of the Malaysian Accounting Standards Board (MASB)</li> <li>• Project Chairman, the Insurance Standards Working Group of the MASB on MFRS 17</li> </ul>
<b>Past Directorship(s) and/or Appointment(s):</b>	<ul style="list-style-type: none"> <li>• Director, Sun Life Malaysia Takaful Berhad (2010-2019)</li> <li>• Board Member, MASB (2009-2015)</li> <li>• Honorary Secretary, Financial Reporting Foundation (2010-2015)</li> <li>• President, MICPA (2012-2014)</li> <li>• Council Member, MIA (2012-2014)</li> <li>• Partner, Messrs Ernst &amp; Young (1983-2009)</li> <li>• Chairman, Adjudication and/or Organising Committees, National Annual Corporate Report Awards (2003-2009)</li> <li>• Chairman, MICPA's Financial Statements Review Committee and Project Chairman, the Insurance Standards Working Group of MASB on Financial Reporting Standard 4 (2003-2007)</li> <li>• Member, International Federation of Accountants' Developing Nations Permanent Taskforce (2004-2005)</li> </ul>

Mr. Pushpanathan S.A. Kanagarayar does not hold any shares in Bursa Malaysia, has no family relationship with any Director and/or major shareholder of Bursa Malaysia, has no conflict of interest with Bursa Malaysia and has not been convicted of any offence within the past five years and has not been imposed any penalty by the relevant regulatory bodies during the FY 2019.

STATEMENT ACCOMPANYING NOTICE OF 43<sup>RD</sup> ANNUAL GENERAL MEETING

(PURSUANT TO PARAGRAPH 8.27(2) OF BURSA MALAYSIA SECURITIES BERHAD MAIN MARKET LISTING REQUIREMENTS)

B. The profiles of the Directors who are standing for re-election as per Agenda 3 of the Notice of 43<sup>rd</sup> AGM are as follows:

Description	Resolution 3
	<b>Uji Sherina binti Abdullah Independent Non-Executive Director</b>
<b>Nationality/ Age/ Gender:</b>	<b>Malaysian/ 58/ Female</b>
<b>Date of Appointment:</b>	<b>18 November 2019</b>
<b>Length of Service (as at 31 January 2020):</b>	<b>2 ½ months</b>
<b>Academic/Professional Qualification(s):</b>	<ul style="list-style-type: none"> <li>• Associate in Occupational Studies Degree, with a major in Business Administration/Management, Central City Business Institute, Syracuse, New York</li> </ul>
<b>Present Directorship(s):</b>	<p><b>Listed entity:</b></p> <ul style="list-style-type: none"> <li>• Nil</li> </ul> <p><b>Other public companies:</b></p> <ul style="list-style-type: none"> <li>• Nil</li> </ul>
<b>Past Directorship(s) and/or Appointment(s):</b>	<ul style="list-style-type: none"> <li>• Group Chief Human Resource Officer, AMMB Holdings Berhad (2015-2018)</li> <li>• Country Chief Human Resources Director, HSBC Malaysia (2009-2012)</li> <li>• Country Chief Human Resource Director, Citibank Malaysia (2004-2009)</li> <li>• General Manager, Human Resources and Corporate Communications, Mesiniaga Berhad (2001-2004)</li> <li>• Head, Human Resources, Mesiniaga Berhad (1995-2000)</li> <li>• Training and Development Manager, Mesiniaga Sdn Berhad (1994-1995)</li> <li>• Sales and Marketing Manager - Mid-range System, Mesiniaga Sdn Berhad (1993-1994)</li> <li>• Various IT and Technology roles at Mesiniaga Sdn Bhd (1982-1993) <ul style="list-style-type: none"> <li>- Systems Engineering and Support Manager</li> <li>- Systems Engineer</li> <li>- Product Support</li> <li>- Programmer</li> </ul> </li> </ul>

Puan Uji Sherina Abdullah does not hold any shares in Bursa Malaysia, has no family relationship with any Director and/or major shareholder of Bursa Malaysia, has no conflict of interest with Bursa Malaysia and has not been convicted of any offence within the past five years and has not been imposed any penalty by the relevant regulatory bodies during the FY 2019.

STATEMENT ACCOMPANYING NOTICE OF 43<sup>RD</sup> ANNUAL GENERAL MEETING  
(PURSUANT TO PARAGRAPH 8.27(2) OF BURSA MALAYSIA SECURITIES BERHAD MAIN MARKET LISTING REQUIREMENTS)

Description	Resolution 4
	<b>Professor Joseph Cherian</b> <b>Independent Non-Executive Director</b>
<b>Nationality/ Age/ Gender:</b>	<b>Malaysian / 57 / Male</b>
<b>Date of Appointment:</b>	<b>1 January 2020</b>
<b>Academic/Professional Qualification(s):</b>	<ul style="list-style-type: none"> <li>• Bachelor of Science in Electrical Engineering, Massachusetts Institute of Technology, Cambridge, Massachusetts</li> <li>• Master of Science in Finance, Cornell University, Ithaca, New York</li> <li>• Ph.D. in Finance, Cornell University, Ithaca, New York</li> </ul>
<b>Present Directorship(s):</b>	<p><b>Listed entity:</b></p> <ul style="list-style-type: none"> <li>• Nil</li> </ul> <p><b>Other public companies:</b></p> <ul style="list-style-type: none"> <li>• Nil</li> </ul>
<b>Present Appointment(s):</b>	<ul style="list-style-type: none"> <li>• Practice Professor of Finance, National University of Singapore Business School</li> <li>• Emeritus Member, Johnson Graduate School of Management's Dean's Advisory Council, Cornell University</li> <li>• Member, Steering Committee, Melbourne Mercer Global Pension Index (MMGPI), Australia</li> <li>• Member, Scientific Advisory Board, Nipun Capital, LP, United States of America</li> <li>• Member, Singapore National Eye Centre (SNEC)/Singapore Eye Research Institute (SERI) Medical Director's Advisory Council, Singapore</li> <li>• Member, Scientific Advisory Board, Xen Technologies Pte Ltd, Singapore</li> </ul>
<b>Past Directorship(s) and/or Appointment(s):</b>	<ul style="list-style-type: none"> <li>• Founder Director, Centre for Asset Management Research &amp; Investments, National University of Singapore Business School (August 2009-October 2019)</li> <li>• Member, Academic Research Council, United Nations Development Programme (UNDP) Social Impact Fund (September 2017-July 2018)</li> <li>• Member, Central Provident Fund (CPF) Advisory Panel, Ministry of Manpower, Singapore (September 2014-August 2016)</li> <li>• Member, Early Stage Venture Fund Evaluation Panel, National Research Foundation, Prime Minister's Office, Singapore (September 2013-April 2014)</li> <li>• Executive-in-Residence, Johnson Graduate School of Management, Cornell University (2008-2009)</li> <li>• Managing Director, Global Head and Chief Investment Officer, Quantitative Strategies Group, Credit Suisse Asset Management, New York (2004-2008)</li> <li>• Managing Director, Banc of America Capital Management, New York and Senior Portfolio Manager of their asset allocation funds (2000-2004)</li> <li>• Associate Professor of Finance, Questrom School of Business, Boston University, Boston (1993-2001)</li> <li>• Visiting Lecturer in Finance, Johnson Graduate School of Management, Cornell University, New York (1992)</li> </ul>

Professor Joseph Cherian does not hold any shares in Bursa Malaysia, has no family relationship with any Director and/or major shareholder of Bursa Malaysia, has no conflict of interest with Bursa Malaysia and has not been convicted of any offence within the past five years and has not been imposed any penalty by the relevant regulatory bodies to date.

All the above Non-Executive Directors satisfy the criteria of an independent director as defined under Bursa Malaysia Securities Berhad Main Market Listing Requirements, which include being independent of management, free from any business or other relationship which could interfere with the exercise of independent judgement, objectivity or the ability to act in the best interests of the Company, and also being independent of its major shareholders.

## ABBREVIATION

<b>ADA</b> - Authorised Depository Agent	<b>FCPO</b> - Crude Palm Oil Futures	<b>MEDAC</b> - Ministry of Entrepreneur Development and Cooperatives
<b>ADC</b> - Average Daily Contract	<b>FGLD</b> - Gold Futures	<b>MFRS</b> - Malaysian Financial Reporting Standards
<b>ADM</b> - Authorised Direct Member	<b>FKB3</b> - 3-month Kuala Lumpur Interbank Offered Rate (KLIBOR) Futures	<b>MIA</b> - Malaysian Institute of Accountants
<b>ADV</b> - Average Daily Value	<b>FKLI</b> - FTSE Bursa Malaysia KLCI Futures	<b>MLT</b> - Mirror, Learn and Trade
<b>BCP</b> - Business Continuity Plan	<b>FM70</b> - Mini FTSE Bursa Malaysia Mid 70 Index Futures	<b>MMLR</b> - Bursa Malaysia Securities Berhad Main Market Listing Requirements
<b>BMD</b> - Bursa Malaysia Derivatives Berhad	<b>FMG3</b> - 3-year Malaysian Government Securities Futures Contract	<b>NMSS</b> - New Market Surveillance System
<b>BMDC</b> - Bursa Malaysia Derivatives Clearing Berhad	<b>FMG5</b> - 5-year Malaysian Government Securities Futures Contract	<b>OCPO</b> - Options on Crude Palm Oil Futures
<b>BMS</b> - Bursa Malaysia Securities Berhad	<b>FMGA</b> - 10-year Malaysian Government Securities Futures Contract	<b>OKLI</b> - FTSE Bursa Malaysia KLCI Options
<b>BMSC</b> - Bursa Malaysia Securities Clearing Berhad	<b>FPKO</b> - Crude Palm Kernel Oil Futures	<b>OMT</b> - On-Market Transaction
<b>BSAS</b> - Bursa Suq Al-Sila'	<b>FPOL</b> - USD RBD Palm Olein Futures	<b>OPOL</b> - USD RBD Palm Olein Options Contract
<b>CA 2016</b> - Companies Act 2016	<b>FTIN</b> - USD Tin Futures	<b>PATAMI</b> - Profit after Tax and Minority Interest
<b>Capex</b> - Capital Expenditure	<b>FUPO</b> - USD Crude Palm Oil Futures	<b>PFMI</b> - Principles for Financial Market Infrastructure
<b>CCP</b> - Central Counterparty	<b>FY</b> - Financial Year	<b>PLC</b> - Public Listed Company
<b>CDS</b> - Central Depository System	<b>GRI</b> - Global Reporting Initiative	<b>PO</b> - Participating Organisation
<b>CF</b> - Clearing Fund	<b>HPO</b> - High-Performance Organisation	<b>PSP</b> - Performance Share Plan
<b>CG</b> - Corporate Governance	<b>IAR</b> - Integrated Annual Report	<b>REIT</b> - Real Estate Investment Trust
<b>CGF</b> - Clearing Guarantee Fund	<b>IAS</b> - International Accounting Standard	<b>ROE</b> - Return on Equity
<b>CISM</b> - Corporate Integrity System Malaysia	<b>IDSS</b> - Intraday Short Selling	<b>RSP</b> - Restricted Share Plan
<b>CMDF</b> - Capital Market Development Fund	<b>IFRS</b> - International Financial Reporting Standards	<b>SBL</b> - Securities Borrowing and Lending
<b>CME</b> - Chicago Mercantile Exchange Inc	<b>IIRC</b> - International Integrated Reporting Council	<b>SGP</b> - Share Grant Plan
<b>CMEIF</b> - Capital Market Education and Integrity Fund	<b>IOSCO</b> - International Organisation of Securities Commission	<b>SME</b> - Small and Medium Enterprise
<b>CMSA</b> - Capital Markets and Services Act 2007	<b>IPO</b> - Initial Public Offering	<b>SPAC</b> - Special Purpose Acquisition Company
<b>COI</b> - Conflicts of Interest	<b>ISMS</b> - Information Security Management System	<b>SR</b> - Sustainability Report
<b>CP</b> - Clearing Participant	<b>IVT</b> - Investment Account Trader	<b>SSF</b> - Single Stock Futures
<b>DBT</b> - Direct Business Transaction	<b>KPI</b> - Key Performance Indicator	<b>STP</b> - Straight-Through Processing
<b>DCF</b> - Derivatives Clearing Fund	<b>LEAP</b> - Leading Entrepreneur Accelerator Platform	<b>SW</b> - Structured Warrant
<b>DLFT</b> - Dual Licensing Fast Track Programme	<b>LFX</b> - Labuan International Financial Exchange	<b>TCP</b> - Trading Clearing Participant
<b>EBITDA</b> - Earnings Before Interest, Tax, Depreciation and Amortisation	<b>LR</b> - Listing Requirements	<b>TP</b> - Trading Participant
<b>eNLT</b> - Electronic Negotiated Large Trade	<b>MACC</b> - Malaysian Anti-Corruption Commission	<b>UMA</b> - Unusual Market Activity
<b>EPS</b> - Earnings per Share	<b>MCCG</b> - Malaysian Code on Corporate Governance	<b>VBIP</b> - Volume-based Incentive Programme
<b>ETBS</b> - Exchange-Traded Bonds and Sukuk		
<b>ETF</b> - Exchange Traded Fund		
<b>F4GBM Index</b> - FTSE4Good Bursa Malaysia Index		

# GLOSSARY

## A

### ACE Market

The ACE Market is an alternative market for companies that are at growth stage and have business prospects. It replaced the formerly known MESDAQ (Malaysian Exchange of Securities Dealing and Automated Quotation) Market in 2009. The ACE Market is viewed as the ideal market for high growth companies with a limited track record and other companies looking to raise additional capital by taking their companies public through a listing exercise.

## B

### Bursa Malaysia-i

A fully integrated Islamic securities trading platform with a comprehensive range of Shariah-compliant exchange-related facilities including listing, trading, clearing, settlement and depository services.

### BursaMKTPLC

An online platform that provides investors and traders with the information they need to conduct analysis, investing and trading.

### Bursa Suq Al-Sila' (BSAS)

A Shariah-compliant commodity trading platform dedicated to facilitate Islamic liquidity management and financing by Islamic Financial Institutions (IFI). BSAS is the world's first which aims to provide industry players with a regulated framework with defined codes of conduct governing commodity trade in support of Islamic interbank placement, client deposit taking, financing, profit rate swap and cross currency swap, as well as sukuk issuances using the concept of Murabahah and Tawarruq. It undertakes contracts in various currencies to facilitate cross-border trades between IFIs and commodity players worldwide.

### BURSASUSTAIN

A one-stop repository of information for corporate governance, sustainability, and responsible investment.

## C

### Capital

The capitals are stocks of value that are increased, decreased or transformed through the activities and outputs of the organisation.

### Capital Market Education and Integrity Fund (CMEIF)

The fund was set up on 1 January 2013 to account for all fines and transfer fees imposed and collected by Bursa Malaysia Group. These monies are segregated and used to educate market participants and investors as well as to defray legal or court expenses relating to the Bursa Malaysia's regulatory enforcement actions.

### Central Depository System (CDS)

The CDS is a system that is fully owned and operated by Bursa Malaysia Depository Sdn Bhd (formerly known as Malaysian Central Depository Sdn Bhd), a wholly owned subsidiary of Bursa Malaysia Berhad.

Investors can use the CDS to transfer securities from one CDS account to another, provided the transfers are within the reasons approved by Bursa Malaysia Depository Sdn Bhd. Other transactions that depositors can perform via the CDS are registering of bank account information, updating of account particulars, reactivation of dormant CDS account, reactivation of inactive CDS account, deposit of share certificate, withdrawal of shares of delisted company and closing of CDS account.

### Clearing Participant (CP)

A participant as defined in the Capital Markets and Services Act 2007, in relation to the Clearing House.

### Closed-End Fund

A closed-end fund involves a listed company which invests in shares of other companies. A closed-end fund company has a fixed number of shares in issue at any point of time, the price of which will fluctuate according to net asset value and market forces.

### Corporate Liability Provision

This refers to the new section 17A of the Malaysian Anti-Corruption Commission (MACC) Act 2009, which is expected to come into force on 1 June 2020. This provision states that a commercial organisation commits an offence if any individual associated with the organisation commits a corrupt act to obtain or retain business or an advantage for the commercial organisation. Commercial organisations can raise a defence if they can show that they have 'adequate procedures' in place.

## D

### Derivatives

A derivative is a security with a price that is dependent upon or derived from one or more underlying assets. The derivative itself is a contract between two or more parties based upon the asset or assets. Its value is determined by changes in the underlying asset. Derivative products available on Bursa Malaysia Derivatives are equity, interest rates, bond, agricultural commodity (crude palm oil and palm kernel), metal commodities (gold and tin) futures and options.

## E

### ESG

Environmental, Social and Governance.

### Equities

An instrument that signifies an ownership position, or equity, in a corporation, and represents a claim on its proportionate share in the corporation's assets and profits. A person holding such an ownership in the company does not enjoy the highest claim on the company's earnings. Instead, an equity holder's claim is subordinated to creditor's claims, and the equity holder will only enjoy distributions from earnings after these higher priority claims are satisfied.

### Exchange Traded Fund (ETF)

An open-ended investment fund listed and traded on a stock exchange. ETF combines the features of an index fund and a stock. The liquidity of an ETF reflects the liquidity of the underlying basket of shares. Generally, there are three types of ETFs: equity ETFs, fixed income ETFs and commodity ETFs. These ETFs consist of baskets of stocks, bonds or commodities based on an index which instantly offers broad

diversification and avert the risk involved in owning stock of a single company. ETFs are listed and traded on a stock exchange. With units in an ETF, investors can gain exposure to a geographical region, market, industry or sector, commodity such as gold or oil or even a specific investment style such as growth or value.

## F

### FTSE4Good Bursa Malaysia (F4GBM) Index

F4GBM Index measures the Environmental, Social and Governance (ESG) performance of public listed companies (PLCs) and was launched in December 2014. As at December 2019, a total of 69 constituents comprising PLCs from across the small, medium and large market capitalisation segments are in the F4GBM Index. The constituents are drawn from companies on the FTSE Bursa Malaysia Emas Index and are reviewed every June and December against international benchmarks developed in collaboration with FTSE Russell.

## G

### Green Lane Policy

Green Lane policy for the equities and derivatives markets allows brokers which have been assessed to have good conduct and are familiar with the relevant regulatory requirements to commence their activities through notification to (as opposed to seeking approval from) Bursa Malaysia. The policy shortens the time to market for equities and derivatives brokers to commence their new activities which include the opening of new branches, commencement of discretionary trading, proprietary trading, margin financing and dual licensed activities.

Green Lane Policy for listed companies relating to circulars is a differentiated approach adopted in Bursa Malaysia's review of draft circulars submitted by listed companies. This is premised on the listed companies standard of corporate governance conduct and disclosure practices. The policy is an incentive granted to listed companies which have been assessed to have good corporate governance and disclosure practices thus accorded certain privileges which, among others, facilitates faster issuance of circulars to shareholders and hence, expedites completion of corporate proposals.

# GLOSSARY

**Global Reporting Initiative (GRI) Standards**

The GRI standards are the first global standards for sustainability. They feature a modular, interrelated structure, and represent the global best practice for reporting on a range of economic, environmental and social impacts.

**I**

**Integrated Reporting Framework**

The International Integrated Reporting Council's Integrated Reporting (<IR>) Framework was designed to improve disclosure of financial and non-financial performance, while enhancing the way organisations articulate and report on value creation. The <IR> Framework was issued in 2013.

**Intraday Short Selling (IDSS)**

Under the IDSS framework, investors will be able to sell securities first and buy the securities later within the trading day itself. IDSS can be carried out on a selected list of eligible securities

**IPO**

Initial Public Offering is when shares of an unlisted company are offered to the public on a recognised stock exchange for the first time. The shares then become publicly traded.

**L**

**Leading Entrepreneur Accelerator Platform (LEAP) Market**

The LEAP Market is an alternative market for SMEs and companies to raise funds. It brings together potential SMEs and companies, intermediaries and qualified sophisticated investors onto a single platform to create a conducive marketplace for fund raising.

**Listing Requirements (LR)**

The criteria required to list and maintain a listing status on Bursa Malaysia's markets.

**M**

**Material Matters**

Material Matters refer to matters that are of most importance to Bursa Malaysia, based on our significant economic, environmental, and social impacts and which substantively influence the assessments and decisions of our key stakeholders. They are also determined based on how they impact or are impacted by our value creation activities. Further details can be found on page 38 of this report.

**Main Market**

The Main Market provides an avenue for companies to raise funds and is mainly populated by established and large companies.

**Market Surveillance System (MSS)**

The MSS is a real time surveillance system for both equities and derivatives markets that triggers alerts when certain market activities causes a price or volume spike.

**Murabahah**

An Islamic financing structure. Murabahah refers to a sale contract with a disclosure of the asset cost price and profit margin to the buyer.

**O**

**On-Market Transactions (OMT)**

OMT are transactions made through the Automated Trading System and they exclude Direct Business Transactions and On-Market Married Transactions.

**P**

**Participating Organisation**

A company which carries on the business of dealing in securities pursuant to the Rules of the Exchange.

**Primary Market**

A part of the capital market that deals with issuance of new securities for the first time.

**R**

**Responsible Investment (RI)**

RI is an approach to investing that aims to incorporate environmental, social and governance factors into investment decisions, to better manage risk and generate sustainable, long-term returns.

**Real Estate Investment Trust (REITs)**

REITs is a fund or a trust that owns and manages income-producing commercial real estate (such as shopping complexes, hospitals, plantations, industrial properties, hotels and office blocks). A management company for a REITs is permitted to deduct distribution paid to its shareholders from its corporate taxable income. However, to enjoy this tax-free status, the REITs must have most of its assets and income tied to the real estate and distribute at least 90% of its total income to investors/unit holders annually. REITs that are listed on a stock exchange trade just like stocks.

**S**

**Secondary Market**

The public market on which securities, once issued, are traded.

**Shares**

A share is a security which represents a portion of the owner's capital in a business. Shareholders are the owners of the business and share the success or failure of the business. (Shares are also commonly referred to as stock).

**Structured Warrants**

Structured warrants are proprietary instruments issued by a third-party issuer, namely an eligible broker or financial institution that give holders the right, but not the obligation, to buy or sell the underlying instrument in the future for a fixed price. Essentially, one makes a 'reservation' to buy or sell a pre-determined number of the underlying instrument at a certain price in the future when investing in a structured warrant. Structured warrants can be issued over an underlying asset such as equity, ETF, index or a basket of stocks.

**Sustainability Development Goals (SDGs)**

The United Nations (UN) SDGs are the blueprint to achieve a better and more sustainable future for all. They address the global challenges we face, including those related to poverty, inequality, climate, environmental degradation, prosperity as well as peace and justice.

**Sustainability Reporting Framework**

The Sustainability Reporting Framework comprises amendments to the listing requirements where PLCs are required to disclose a narrative statement on the management of material economic, environmental and social (EES) risks and opportunities in their annual reports. The Sustainability Framework also includes the issuance of the Bursa Malaysia Sustainability Reporting Guide and Six Toolkits to aid PLCs in embedding and reporting on sustainability practices.

**Sustainable Stock Exchanges (SSE) Initiative**

The SSE Initiative is a peer-to-peer learning platform for exchanges, in collaboration with investors, regulators, and companies, to explore how corporate transparency and performance on ESG issues can be enhanced and to further encourage the uptake of sustainable investment. The SSE is a project of the UN, co-organised by the UN Conference on Trade and Development, the UN Global Compact, the UN Environment Programme Finance Initiative and the UN-supported Principles for Responsible Investment.

**T**

**Tawarruq**

An Islamic financing structure. A Tawarruq involves purchasing a commodity on a deferred price either in the form of musawamah or murabahah, later selling it to a third party with the objective of obtaining cash.

**The Taskforce on Climate-related Financial Disclosures (TCFD)**

The TCFD seeks to develop recommendations for voluntary climate-related financial disclosures that are consistent, comparable, reliable, clear, and efficient, and provide decision-useful information to lenders, insurers, and investors.

**Trading Participant**

A company which carries on the business of dealing in derivatives pursuant to the Rules of the Exchange.

## GLOSSARY

### V

#### Value

Value is not created by or within organisation alone. It is influenced by the external environment, created through relationships with stakeholders and dependent on various resources.

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### W

#### Warrants

Company warrants are issued by the company and give the holder the right, but not an obligation, to subscribe for new ordinary shares at a specified price during a specified period of time. Warrants have a maturity date (up to 10 years) after which they expire and are worthless unless the holder exercise to subscribe for the new shares before the maturity date.

#### The World Federation of Exchanges (WFE)

Established in 1961, the WFE is the global industry association for exchanges and clearing houses. Headquartered in London, it represents over 250 market infrastructure providers, including standalone central counterparty clearers (CCPs) that are not part of exchange groups. Of its members, 37% are in Asia-Pacific, 43% in EMEA and 20% in the Americas. WFE exchanges are home to nearly 48,000 listed companies, and the market capitalisation of these entities is over \$70.2 trillion; around \$95.0 trillion (EOB) in trading annually passes through the infrastructures WFE members safeguard.

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[www.bursamalaysia.com](http://www.bursamalaysia.com)

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