



Datuk Muhamad Umar Swift
Chief Executive Officer

Chief Executive Officer's Review

Dear Stakeholders,

In 2023, similar themes from the prior year, such as geopolitical tensions, and tightening monetary policy carried over and continued to dominate market headlines, pointing to multiple complex growth challenges confronting the global economy. Nonetheless, Bursa Malaysia continued to deliver on our strategic initiatives to future-proof and build greater resilience in our market.

2023 marked the final year of our 2021-2023 Strategic Roadmap. When we first unveiled the Strategic Roadmap, we communicated that the initiatives contained therein aimed to build the foundation for us to evolve Bursa Malaysia into a Multi-Asset Exchange and advance us towards our vision of becoming ASEAN's leading, sustainable and globally-connected marketplace.

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I am pleased to report that we have accomplished what we had set out to do, with achievements in all three Core Strategies of the Strategic Roadmap. We expanded fundraising options for businesses, enhanced our market ecosystem to make it more facilitative of trade, and strengthened the sustainability practices and disclosures by our listed issuers. Meanwhile, we increased education, awareness and the number of products for retail investors.

Our progress over the past three years sets a firm backdrop for the next phase of our growth journey. Our recently unveiled Strategic Roadmap for 2024-2026 outlines our focus on fortifying our position as a Multi-Asset Exchange to generate even greater value for all stakeholders. These strategic priorities have been included in this report, and I invite you to take a close study of them to better understand our direction and value proposition.

Operating Environment Review

Our domestic markets faced significant downward pressure in the first half of 2023, primarily due to investor apprehensions linked to the collapse of several small US banks, which triggered concerns over the broader banking sector and the possibility of systemic risk. Coupled with the tightening of monetary policy aimed at curbing inflation and slowdowns in key global economies, investor anxiety quickly spread worldwide, triggering a flight of capital to safer haven assets.

However, a notable turnaround occurred in the second half of the year. The sentiments of investors improved, supported by greater optimism that the introduction of new national policies and strategic plans, such as the National Energy Transition Roadmap (NETR) and the New Industrial Master Plan (NIMP) 2030, would provide fresh impetus to strengthen Malaysia's growth trajectory. This sense of optimism was given another push by market expectations that the interest rate cycle has peaked, diminishing concerns over a hard landing for some major economies.

The relatively attractive valuation of the FBMKLCI benchmark index presented potential upside opportunities for investors and fuelled buying interest. Furthermore, the reduction in the stamp duty rate on 13 July 2023 – from 0.15% to 0.10% and capped at RM1,000 per contract – supported investors' trading interest as the reduction directly lowers transaction costs, benefitting cost-sensitive retail investors in particular.



Bursa Malaysia again delivered a robust financial performance for 2023. This result has been possible because of the contributions and continued support of our stakeholders, including the dedication and efforts of our employees.



The market performance for 2023 was, therefore, a story of two halves: after a 7.9% decline in the first half, the benchmark FBMKLCI then rose 5.7% between July and December 2023. As a result, the FBMKLCI ended the year lower year-on-year (yoy) by 2.7%, although total market capitalisation grew 3.5% to RM1,796.4 billion at the end of 2023 (2022: RM1,736.2 billion).

Financial Performance Overview

Bursa Malaysia posted a profit after tax, zakat and minority interest (PATAMI) of RM252.4 million for the financial year ended 31 December 2023 (2022: RM226.6 million), representing a yoy increase of 11.4%, mainly due to an operating revenue increase of 1.3% to RM592.8 million (2022: RM585.3 million). Our operating expenses rose marginally by 0.6% to RM294.5 million, as higher technology and staff cost was partly offset by the reversal of a one-off provision amounting to RM31.4 million.

The Securities Market was confronted with challenges in 2023 with persistent external headwinds weighing on investor sentiments. The tightening of monetary policy and uncertainties from geopolitical conflicts led to reduced investor appetite for both conventional and

Shariah-compliant equities, while rising interest rates made lower risk asset classes such as fixed deposits more attractive. Even though trading sentiment improved in the second half of the year, overall market performance was lower compared to the previous year.

The Securities Market's ADV for on-market transactions of RM2.06 billion was 0.6% lower than the RM2.07 billion recorded in 2022. Foreign institutional investors increased their participation to 29.2% (2022: 26.8%) but ended the year as net sellers, while local institutions had a total net buy of RM3.18 billion despite a lower participation of 31.9% (2022: 35.1%). As for the IPOs, a total of 32 IPOs were admitted to the Exchange in 2023, adding RM13.6 billion in market capitalisation upon listing (2022: 35 IPOs with a market capitalisation upon listing of RM11.2 billion). This came in under our target of 39 IPOs, particularly due to fewer listings than anticipated on the LEAP Market. Nevertheless, we achieved a higher IPO market capitalisation against our target of RM10.0 billion in 2023.

Trading on the Derivatives Market declined from its record high posted in 2022. Crude palm oil futures (FCPO) trading moderated in 2023 following a recovery in production of CPO, and correspondingly reduced CPO price fluctuation. ADC decreased 7.3% to 72,896 contracts (2022: 78,621 contracts). This was partially offset by greater activity in the trading of FTSE Bursa Malaysia KLCI Futures, which recorded an all-time daily trading volume high of 73,056 contracts and open interest of 74,778 contracts on 27 October 2023. Overall, total contracts traded on the Derivatives Market was lower at 17,786,648 contracts (2022: 19,105,019 contracts). Meanwhile, we are encouraged to see continued interest in our derivatives products, with our flagship Palm and Lauric Oils Price Outlook Conference & Exhibition (POC) and the second East Malaysia POC 2023 events well-attended by more than 2,400 participants from over 50 countries.

As for the BSAS commodity trading platform, we saw an 8.9% increase in the number of local and foreign participants, bringing total BSAS participants to 354 (2022: 325 participants), putting us on a firm footing for future growth. The expansion of our service offerings to local and foreign co-operative societies and Islamic micro-financing companies also expanded our reach, resulting in trading revenue yoy growth of 3.9% to RM17.1 million (2022: RM16.4 million). For the year, BSAS ADV remained stable at RM45.1 billion (2022: RM45.6 billion).

In terms of non-trading revenue, the Exchange recorded higher market data revenue of RM68.0 million in 2023 (2022: RM60.8 million), translating to a four-year compounded annual growth rate of 15.2% and making up 11.5% of total operating revenue (2022: 10.4%). Generally, the better performance was attributed to increased demand from institutional and retail clients, who registered for market data licensing as a result of our affiliate programmes.

2023 Achievements

Bursa Malaysia's consistent performance was recognised at the 14th Billion Ringgit Club Awards by The Edge as the public listed company with the highest return on equity over three years within the Financial Services Category (Market Capitalisation less than RM10 billion). In addition, Bursa Malaysia was also recognised as Asia's Leading Exchange in gender equality in corporate leadership, based on the Gender Equality in Corporate Leadership Asia 2023 Report by the United Nations Sustainable Stock Exchange and International Finance Corporation. These external plaudits are clear signs that we are on the right track, and serve as encouragement for us to further improve our performance as an organisation and a marketplace.



Bursa Malaysia was also recognised as Asia's Leading Exchange in gender equality in corporate leadership.



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The following is a summary of outcomes and key initiatives we delivered, to strengthen our business and our markets.

Core Strategy 1

Product Expansion

In 2023, we introduced our inaugural currency futures contract, the Mini USD/CNH Futures (FCNH), which was established through a licensing agreement with the Hong Kong Exchanges and Clearing. An important first for us, the FCNH paves the way for other currency futures contracts. In addition, the new product provides a range of benefits for our market participants, empowering businesses, traders and investors to confidently navigate the currency market, manage currency risks and unlock growth opportunities. In a similar vein, also in the fourth quarter of 2023, we signed an agreement with Dalian Commodity Exchange (DCE), which is a key milestone towards the launch of our Bursa Malaysia DCE Soybean Futures Contract in 2024. This marks the first product collaboration between a Chinese derivatives exchange and an Asian exchange based outside of China.

Meanwhile, we witnessed the successful commencement of voluntary carbon credits trading on Bursa Carbon Exchange (BCX) in 2023. Two standardised carbon contracts were introduced at its inception, namely the Global Technology-Based Carbon Contract (GTC) and the Global Nature-Based Plus Carbon Contract (GNC+). While it will take time for the carbon market to mature, the interest shown in BCX has been encouraging with requests coming in to expand our suite of environmental products further.

Significant progress was made during the year towards developing other new platforms, including the BR Capital debt fundraising platform in collaboration with RAM Holdings Berhad, and the Bursa Gold Dinar (BGD) platform. The BR Capital platform was ready for selected onboarding of issuers and investors in December 2023, while the BGD platform was launched in January 2024. Both platforms are poised to contribute substantially to the expansion of Bursa Malaysia's offerings and draw new participants to our marketplace.

Core Strategy 2

We have always believed that it is just as essential for us to strengthen marketplace and ecosystem fundamentals as it is for us to introduce new products and services. In delivering on this belief, we implemented initiatives to enhance market vibrancy, improve the profile and visibility of PLCs, promote retail growth and participation, and widen market reach via education initiatives and infrastructure. Examples of such initiatives include our web-based Burmon Trader game, and our Futures Training Apprenticeship Programme, both launched last year, which are aimed at improving youth financial literacy and nurturing aspiring derivatives traders, respectively.

A crucial ongoing initiative is the PLC Transformation (PLCT) Programme, which was launched in 2022 to strengthen the competitiveness of our PLCs by encouraging actions that will lead to improved corporate performance. Since the programme's launch, 237 PLCs have signed on as participants by the end of December 2023. Following the publication of the five digital guidebooks, we have been focused on delivering educational and best practices sharing sessions to support and catalyse participants' actions.

To accelerate our PLCs' investor relations (IR) function, we launched the IR4U Programme to support and enhance PLCs' IR capabilities and practices, and raise our PLCs' profile and visibility to foreign and local investors. The IR4U Programme comprises the IR4U Portal – a comprehensive online resource – housing webinars, articles, and guidebooks covering trends in the IR space.

We also enhanced our rules and frameworks to facilitate market development and reinvigorate PLCs' growth. For instance, to increase the accessibility and attractiveness of our equities market, we introduced the transfer of listing framework, which enables eligible LEAP Market companies to transfer to the ACE Market. LEAP Market companies now have a clear growth option, allowing them to tap into a wider pool of investors for fundraising in the ACE Market. In tandem with this framework, we progressively expanded the roles of eligible Approved Advisers in the ACE Market (Recognised Approved Adviser) to facilitate capacity and capability building of existing advisers.

Ecosystem Development

During the year, the Main Market Listing Requirements were enhanced to facilitate the offering of Islamic Real Estate Investment Trusts and Exchange-Traded Funds with *waqf* features. This framework enhancement not only promotes the growth of *waqf* and sustainable and responsible investment (SRI) assets, but also further cements Bursa Malaysia's position as a leading global Islamic exchange. We anticipate that these developments, and others to be implemented in the future, will encourage greater SRI and Shariah-compliant product issuances in the coming years.

In addition, the Exchange amended its rules in 2023 to harmonise the proprietary trading frameworks for proprietary day traders (PDT) and salaried dealer representatives trading for investment account (IVT). This rule change simplifies the frameworks governing our traders, and improves operational efficiency for Participating Organisations (POs) and regulators.

Sustainability remains squarely in our focus, and we continue to do our part to develop the sustainability ecosystem, including infrastructure, tools and capabilities. Bursa Malaysia has undertaken wide-ranging initiatives to further embed sustainability into our marketplace. These include proactively facilitating the sustainability transition of Malaysian companies by building the CSI Platform for both PLCs and unlisted companies, which is envisioned to be a repository of standardised ESG data to facilitate consistent reporting and access to financing.

We are also enabling the execution of several national plans, including the NETR, and adoption of the i-ESG framework developed by the Ministry of Investment, Trade, and Industry for small and medium enterprises (SMEs). Bursa Malaysia seeks to drive meaningful changes with other exchanges and strategic partners. Our efforts include spearheading an inter-regional ESG-linked ecosystem with the Indonesia Stock Exchange, the Stock Exchange of Thailand, as well as the Singapore Exchange. In 2023, we co-chaired the United Nations Sustainable Stock Exchanges Advisory Group on Carbon Markets.

Core Strategy 3 — Capacity and Capabilities Building

The Exchange operates in a highly dynamic environment where changes in one area could have a systemic impact throughout the organisation. To secure the relevance and trusted brand of the Exchange, we are constantly taking steps to bolster our capacity and capabilities. We continued to invest in technology to enhance the resilience of our core infrastructure systems and applications. We believe that application of technology should always be fit-for-purpose and right-sized. Technology investments were also made to deliver more seamless customer experience (CX) through our various touchpoints, improving overall customer satisfaction with our products and services.

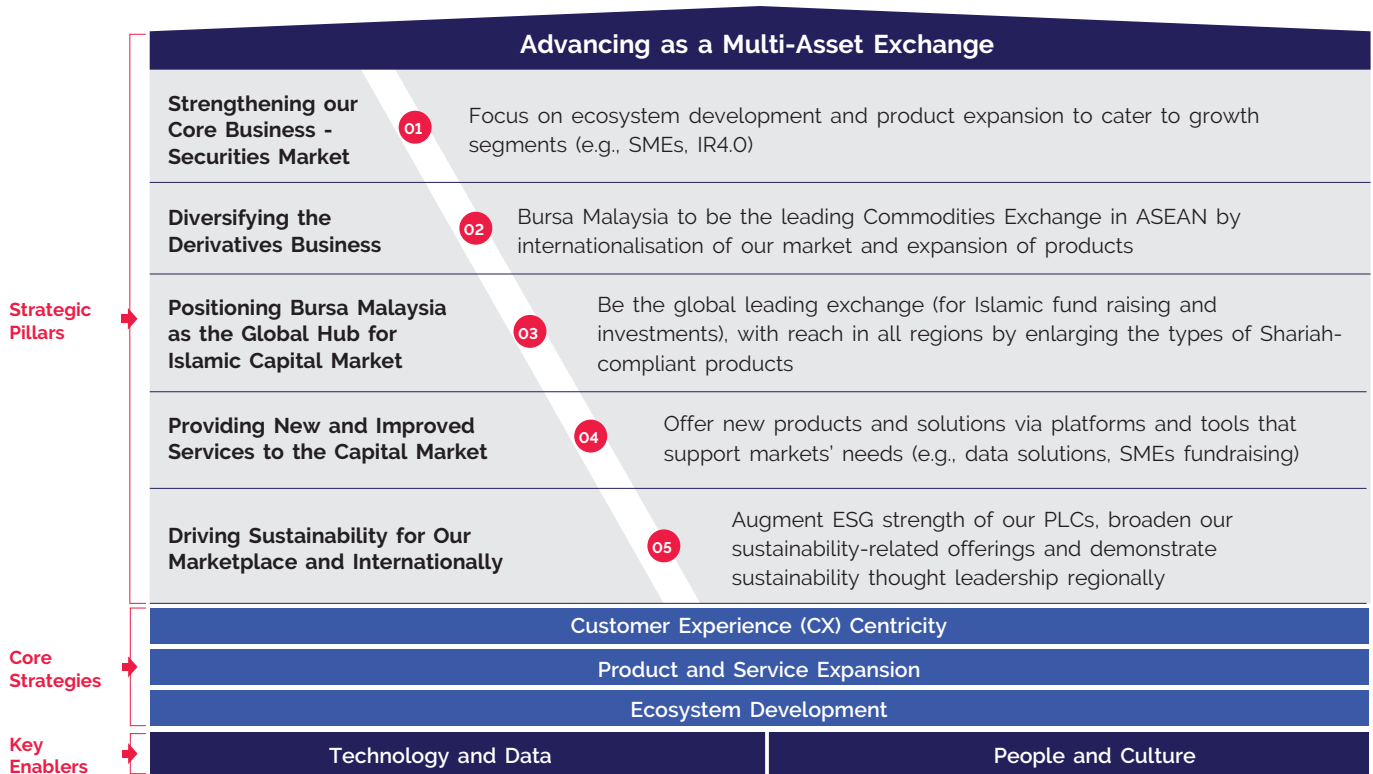
Lastly, we continue to groom and harness our most important asset, which is our people, by upskilling and shaping them with our desired organisational culture. This includes the continuation of efforts to augment the technical competencies of key functions, to meet Bursa Malaysia's strategic objectives and meet market demands. We recognise that strong corporate culture and values is key to deliver significant business impact. In 2023, we continued to focus on inculcating our BURSA core values of Bold – United – Responsible – Synergy – Agile, designed to fuel employees towards realising our aspiration to be a Multi-Asset Exchange.

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Moving Forward

Our focus over the last three years was on putting in place the crucial building blocks – leveraging technology, and talent – for us to pivot into a Multi-Asset Exchange. In the next three years, we will cultivate new business lines – specifically via the BCX, BGD and the BR Capital debt fundraising platform, while maintaining focus on our core capital market businesses. Our entry into these adjacent frontiers are strategic and deliberate, as the offerings are very much related to the needs of businesses and investors.

This next phase of our growth journey will be anchored by our new Strategic Roadmap 2024-2026, which comprises five Strategic Pillars, three Core Strategies and two Key Enablers.



While product and service expansion and ecosystem development will continue to remain important priorities, I would like to highlight CX centricity as a new core strategy for the Exchange going forward. This reflects our commitment to ingrain the delivery of superior service to attract, engage and delight our customers.

Our enhanced position as a Multi-Asset Exchange, coupled with CX focus and robust data analytics, make us well-placed to meet evolving customer needs, and generate increased value for our stakeholders. We believe that our products, offerings, and spheres of influence should mirror changes in our operating environment, to unlock our full potential as a trusted marketplace.

Note of Appreciation

On behalf of Bursa Malaysia's Management team, I would like to thank all our stakeholders – including the Ministry of Finance, Securities Commission Malaysia, Bank Negara Malaysia, our Board of Directors, staff, market participants, and industry partners. I extend a special note of thanks to the growing number of government ministries and agencies with whom we have collaborated and engaged with in our mission to better serve the nation. The support and dedication of all our partners have been instrumental in our pursuit of **Creating Opportunities, Growing Values**. As we undergo the next phase of growth as a competitive, Multi-Asset Exchange, we remain committed to expanding and improving our services to a broader investor base and to better support investing, trading and fundraising activities.



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