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Bursa Malaysia has an obligation to ensure that our markets operate in a fair and orderly manner at all times. These are built on strong fundamentals, backed by robust regulatory frameworks and approaches, and supported by cutting-edge technology to ensure effective and efficient operation. Our listed issuers and intermediaries have shown high level of adherence to our rules, with the latter also being sufficiently capitalised and adhering to high standards of business conduct and prudential standards, providing adequate levels of investor protection. The Exchange has also put in place various market safeguards to protect the integrity and stability of the marketplace. These market features are designed in line with best international practices.

Our markets continue to display high levels of transparency to facilitate informed investments. We have not observed any unusual activities/trends that threaten market integrity for the year under review.

DEVELOPMENT OF THE RULES FRAMEWORK

We continued to enhance our rules framework to build a market of quality, strengthen investor protection and ensure that our rules remained current and effective. In 2015, we issued several rule changes governing the listed issuers and our intermediaries. The key changes included:

a. Changes to enhance business efficacy and efficiency for listed issuers as well as to enhance the attractiveness of the ACE Market as a listing destination.

b. Changes to promote sustainability practices and reporting among our listed issuers.

c. Changes to promote certainty in trading and minimise disruptions (i.e. changes to give effect to Bursa Malaysia's error trade policy).

d. Changes to achieve compliance or consistency with changes to the law and Securities Commission guidelines that came into effect or were amended during the year (e.g. the changes in relation to the Financial Services Act 2013 and changes consequential to the new Goods and Services Tax Act 2014).

We continued to apply a robust process in developing our rules framework to ensure our rule changes achieved the intended purposes. In this respect, we adopted a consultative, well-considered and balanced approach in arriving at final rule changes. Major rule changes, in particular, underwent a comprehensive consultation process to obtain feedback from the relevant industry participants, key stakeholders and the public before being finalised and issued. In 2015, we issued two public consultation papers on proposed changes to the Listing Requirements ("LR") to seek feedback on sustainability reporting, as well as disclosure and corporate governance requirements and post-listing disclosure obligations for mineral, oil and gas listed issuers.

EFFICIENT CAPITAL RAISING FRAMEWORK

Our time-to-market for secondary capital raising remained efficient and comparable to other regional markets. To facilitate further growth and innovation in our market, we continued to provide a conducive environment for listed issuers to have access to and raise capital efficiently. Capital raising through the secondary issuance of securities remained active in 2015, with total funds raised remaining relatively high at RM17.1 billion (2014: RM18.4 billion) despite the volatility and challenges in the capital market.

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Our focus in the area of capital raising is to further enhance the effectiveness of our capital raising framework by, among others, improving the efficiency and cost-effectiveness of our processes. Arising from the review of the ACE Market framework in 2014, the ACE Market LR were amended with effect from 13 July 2015. These amendments included among others, the liberalisation of the sponsorship framework and moratorium requirements, enhanced clarity on admission criteria and putting in place an avenue for guidance to be provided to prospective applicants through the requirements for pre-Initial Public Offering (”IPO”) consultation. Response to the amendments has been positive, with increased requests from Sponsors and potential applicants for pre-IPO consultations as well as an increase in the number of new ACE listings. We believe the aforesaid changes to the ACE Framework have enhanced its attractiveness and competitiveness.

SURVEILLANCE OF THE MARKET AND OF LISTED ISSUERS

Our main focus in the area of market surveillance is to detect and deter abusive trading practices and facilitate price discovery, which are key to building and maintaining market confidence. Trading in both the equities and derivatives markets on the whole have been fair and orderly. We vigilantly monitored the trading activities and where trading concerns arose, we undertook appropriate regulatory measures to address the trading concerns.

For the purpose of maintaining orderly trading, regulatory measures undertaken include the issuance of queries to intermediaries on suspicious trading activities, issuance of Unusual Market Activity queries to listed issuers for disclosure, issuance of Market Alerts for investors to exercise caution and make informed investment decisions and referral of cases for investigation. We also provided guidance to intermediaries on strengthening their internal trade monitoring and supervision systems to ensure any form of disruptive trading practices are detected and acted upon promptly to safeguard the integrity and orderliness of trading.

In undertaking corporate surveillance, our primary focus is to detect and, where possible, pre-empt corporate irregularities or transgressions which may give rise to, among others, breaches of the LR. To this end, we continued to improve our detection capabilities and conducted thematic studies to identify areas of concern and addressed them as necessary. In 2015, we monitored the financial condition and corporate developments of listed issuers, and concerns noted were addressed through effective regulatory actions. Arising from our detections, we undertook pre-emptive actions where possible, as well as made referral of breaches of the LR for investigation whilst breaches of the law were referred to the relevant authorities.

QUALITY AND TIMELY DISCLOSURES

Whilst our efforts to enhance the quality of disclosure have improved the standard of disclosures in our market, the dynamic nature of the market and the increasing sophistication of investors who expect more transparency and better quality of information require us to remain committed to continue improving the quality of disclosures among our listed issuers. Accordingly, our regulatory efforts in this area were focused on enhancing and developing our disclosure framework, ensuring effectiveness of our supervisory approach and inculcating a strong culture of disclosure among listed issuers through education and advocacy programmes.

In 2015, in tandem with our enhanced supervisory approach in dealing with advisers and grading of circulars submitted for our review, we conducted a series of one-on-one sessions with advisers to highlight our enhanced regulatory approach and common disclosure areas which could be further improved. This approach is to ensure that advisers are effective in discharging their roles and responsibilities in providing quality disclosures in circulars for informed decision-making by shareholders.

We are cognisant of the growing importance of non-financial disclosures, in particular information which provides an overview of the performance of a business in the prior year as well as insights into its future prospects to investors. We believe that the need for such information can be addressed through disclosure of Management Discussion and Analysis (“MD&A”). Given the importance of MD&A, we have proposed to mandate the disclosure of a statement containing the MD&A of the listed issuers’ businesses, operations and financial performance in their annual reports vide our public consultation paper dated 16 October 2015.

We also continue with our regulatory approach of inculcating a stronger disclosure culture through advocacy programmes for identified stakeholders. As we intend to mandate the requirements for MD&A in listed issuers’ annual reports, we conducted Advocacy Sessions on MD&A for Chief Executive Officers (“CEOs”) and Chief Financial Officers (“CFOs”) of listed issuers in 2015 to enhance awareness and promote high quality MD&A disclosure as part of our efforts to prepare listed issuers for the proposed mandatory disclosures going forward.

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During the year under review, we undertook the following programmes which were attended by 501 directors and senior management of listed issuers, and 924 company secretaries:

i.	SEVEN TECHNICAL BRIEFINGS FOR COMPANY SECRETARIES
ii.	SIX ADVOCACY SESSIONS ON MD&A FOR CEOs AND CFOs OF LISTED ISSUERS

To enhance understanding of the disclosure obligations and the application of the LR, we continued leveraging on the Listing Advisory Desk which comprises a dedicated team to respond to enquiries on interpretation of the LR. Through our online enquiry portal initiative ("Portal"), listed issuers and their advisors may submit their enquiries online. In 2015, we incorporated a new feature to the Portal, the "InterActive LR" whereby relevant provisions of the LR are hyperlinked to published Frequently Asked Questions ("FAQs") for ease of reference. The Portal was also re-branded as AskListing@Bursa. The turnaround times in responding to queries were swift and the Portal recorded 2,592 enquiries in 2015.

As a result of these efforts, we continued to see improvement in the quality of disclosures. The queries issued on announcements also remained low at around 0.1% of total general announcements. The adherence to the timeliness for submission of periodic financial information also remained strong in 2015 at 99.4%, as compared to 99.5% in 2014.

CORPORATE GOVERNANCE STANDARDS AND SUSTAINABILITY PRACTICES

Bursa Malaysia is focused on building a strong culture of Corporate Governance ("CG") including improving the quality of CG disclosures in annual reports. CG culture in our market has continued to grow as indicated by the scores obtained from the ASEAN CG Scorecard 2015 which shows overall improvement in disclosures by our listed issuers.

In 2015, in an effort to strengthen the exercise of shareholders' rights, we proposed mandatory poll voting. As this involves changes to the LR, the proposed amendments have been submitted to the Securities Commission ("SC") for approval. In addition to strengthening our rules framework, we also undertook engagements and advocacy covering a wide range of areas to continuously build higher standards of CG practices and disclosure. Approximately 1,900 directors and practitioners attended our advocacy programmes covering topics in relation to board quality, risk management and internal control, and CG disclosure throughout 2015.

Annually, we assess the CG statements of listed issuers with the objective of providing feedback for improvement. In 2015, we undertook an assessment of 450 annual reports to evaluate the quality and standard of CG disclosures and findings were published. In addition, we provided detailed results to the listed issuers to help them improve their disclosures. The review showed that there is a high level of compliance with the LR and strong adherence to the best practices in the Malaysian Code of Corporate Governance 2012.

We take an inclusive approach in building a strong CG culture and in that respect, engage and work with relevant industry gatekeepers such as the Minority Shareholder Watchdog Group, and the Institute of Internal Auditors, Institute of Chartered Accountants in England and Wales, Malaysian Institute of Chartered Secretaries and Administrators and international institutions such as the Global Reporting Initiative, United Nations Principles for Responsible Investing and Sustainable Stock Exchanges to promote good CG culture and create more awareness on sustainability. We also engaged the Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants Joint Working Group to conduct two advocacy sessions for directors and senior management on new auditor reporting requirements and the new section on key audit matters.

MEASURES TO PROMOTE SUSTAINABILITY

We began our journey towards building sustainability practices and reporting in 2006 and in 2010 we launched a sustainability portal as well as a guide entitled 'Powering Business Sustainability: A Guide for Directors'. Our listed issuers have been disclosing their Corporate Social Responsibility ("CSR") practices since 2006 and a small number have been issuing sustainability statements as standalone reports for several years.

Sustainability issues, for instance competition for resources (e.g. renewable energy, water, land), and social issues (e.g. talent development, diversity, human rights) are increasingly affecting how businesses are run today. Research indicates that businesses which embrace sustainability have

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better financial performance and brand image. International and local institutional investors have begun to demand for more information on sustainability performance from their investee companies. In light of these developments as well as our recognition of the need to ensure that all listed issuers are able to truly benefit from those developments, Bursa Malaysia has placed sustainability as an important agenda and undertook various initiatives in 2015 which includes the development of a new Sustainability Framework for listed issuers.

As part of our efforts to consistently build market quality, we developed a new framework for sustainability reporting by amending the LR to require our listed issuers to issue a Sustainability Statement in their annual reports to replace the CSR statement. In order to aid companies in the making of the Sustainability Statement, we also launched a Sustainability Reporting Guide and six Toolkits, which can be accessed at http://www.bursamalaysia.com/market/sustainability/sustainabilityreporting/sustainability-reporting-guide-and-toolkits/. The Sustainability Reporting Guide provides the business case for listed issuers and suggestions on how to embed sustainability into their organisations. The Toolkits provide detailed guidance on salient steps to be taken by listed issuers to embed sustainability and make sustainability disclosures in their annual reports. We launched the Sustainability Reporting Guide and Toolkits at the Sustainability Symposium on 8 October 2015, with 600 participants attending.

STANDARDS OF BUSINESS CONDUCT OF INTERMEDIARIES

Our intermediaries at present continue to maintain healthy capital adequacy ratios and leverage on strong prudential capital base, while at the same time continuing to uphold satisfactory levels of business conduct and adherence to the Business Rules.

As part of our ongoing efforts to mitigate systemic risks in the market, in 2015 we continued with our robust supervision of intermediaries through on-site and off-site monitoring of the financial health of intermediaries, client asset protection, business conduct and their compliance with the Business Rules to maintain their financial strength. All intermediaries were in compliance with the minimum financial requirements. There were also no material findings affecting the overall systemic risk of the industry and no industry-wide breaches in 2015.

Cyber security has been a major area of concern globally. In this respect, we continued to place adequate emphasis and vigilance in the area of cyber security. Hence, we embarked on several initiatives to enhance awareness and the management of cyber threats, as follows:

a. Issuance of industry communication to intermediaries to enhance their supervisory and monitoring measures to prevent cases of fraudsters perpetrating cybercrime by hacking into the emails of unsuspecting clients;

b. Issuance of a directive on the requirement for intermediaries to conduct an internal audit review to assess the cyber security resilience of their business, operations and components of critical IT systems;

c. Targeted inspections on intermediaries to assess and review safeguard measures against cybercrime and recommend adoption of best practices to mitigate the risk of cybercrime; and

d. Continuous engagements and industry advocacy programmes to increase awareness of these matters.

Additionally, in order to facilitate ease of doing business and encourage market development and at the same time introduce practices which are in line with other markets, we embarked on an initiative to allow equity intermediaries to offer non-cash rewards and incentives to their clients, namely the Client Reward and Loyalty Programme Framework. This new framework will encourage fair market conduct by equity intermediaries in rewarding and retaining clients.

ENFORCEMENT ACTIVITIES

We continued with vigilant monitoring of compliance with our rules. Material breaches detected undergo thorough investigation and enforcement proceedings. Defaulting parties are given the opportunity to explain their actions prior to determination of breach and appropriate sanctions. As part of our governance process, we also have the Listing Committee and Market Participants Committee which undertake deliberations on material breaches of the LR and Business Rules.

In 2015, enforcement actions were taken against 14 listed issuers and 37 directors (of 9 listed issuers) for various breaches of the LR. As part of enforcement, we also issued directives against the defaulting parties including, where relevant, directives for directors to undergo mandatory training as well as for errant listed issuers to conduct limited reviews on quarterly reports.

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Enforcement actions were also taken against 13 intermediaries (i.e. Participating Organisations ("PO"), Trading Participants, etc.) and 24 Registered Persons for various breaches of the Business Rules, which included market offences or trading related breaches (for which enforcement actions were taken against 13 Dealer's Representative ("DR") and one PO and three Principal Officers for supervisory breaches arising from market offences by the DRs). In an effort to improve the conduct of errant DRs, we also issued directives for mandatory training requirements when misconduct showed ignorance or lack of understanding of the rules and requirements, similar to the approach under the LR.

Arising from our enforcement actions, we noted a declining trend in some of the breaches of our rules and in particular relating to financial reporting obligations by our PLCs.

UTILISATION OF FINES AND TRANSFER FEES

In 2015, the functions of the Capital Market Education & Integrity Fund ("CMEIF") Committee were subsumed under the Regulatory and Conflicts Committee ("RACC"). The CMEIF consists of all the fines imposed by Bursa Malaysia and its subsidiaries and transfer fees collected (on transfers of dealers representative from one PO to another), and does not form part of Bursa Malaysia's revenue. The CMEIF may only be utilised for, among others, education/advocacy programmes with the aim of raising awareness of our rules/requirements, and matters relating to the capital markets, including investing knowledge for our investors and market participants.

In 2015, we conducted 64 advocacy programmes for Directors of listed issuers, CFOs, Chief Regulatory Officer, internal auditors, company secretaries and intermediaries. These programmes were well-received, registering 4,676 participants representing 856 Public Listed Companies ("PLCs") and 48 intermediaries.

PROTECTING MARKET INTEGRITY

Bursa Malaysia's marketplace is equipped with a number of safeguards to protect market integrity and ensure a fair and orderly market. These safeguards provide continuous monitoring of price movements and takes predetermined steps to ensure that price fluctuations are managed and that all market participants have equal opportunity to assess market conditions.

CIRCUIT BREAKER MECHANISM

Bursa Malaysia's circuit breaker mechanism was introduced in 2002 in line with the tenets of the Capital Master Plan I to safeguard the integrity and stability of the marketplace. The circuit breaker effectively manages undue and irrational volatility that could adversely impact confidence in the marketplace.

The circuit breaker is triggered when specific thresholds are met, thereby introducing trading halts to give the marketplace time to evaluate market conditions.

Bursa Malaysia Circuit Breaker Trigger Levels, Conditions and Trading Halt Durations

Trigger Level	FBM KLCI Decline	From 9:00 am – before 11:15 am	From 11:15 am to 12:30 pm	From 2:30 pm – before 3:30 pm	From 3:30 pm to 5:00 pm
1	FBM KLCI falls by an aggregate of 10% or more but less than 15% of the previous market day's closing index.	1 Hour	Rest of Trading Session	1 Hour	Rest of Trading Session
2	FBM KLCI falls by an aggregate of or to more than 15% but less than 20% of the previous market day's closing index.	1 Hour	Rest of Trading Session	1 Hour	Rest of Trading Session
3	FBM KLCI falls by an aggregate of or to more than 20% of the previous market day's closing index.	9.00 a.m. - 12.30 p.m.		2.30 p.m. - 5.00 p.m.	
		Rest of Trading Day		Rest of Trading Day	

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Since its inception, Bursa Malaysia's circuit breaker has only been triggered once in 2008. It is tested regularly as part of the Exchange's Business Continuity Test. The mechanism remains a relevant and effective control measure for market integrity in Bursa Malaysia and contributes to the resilience of our marketplace.

PRICE LIMITS MECHANISM

Bursa Malaysia has always enforced Static Price Limits as the market safeguard. Static Price Limits prescribe the maximum fluctuation in price for a trading day of a stock.

Static Price Limits Range

Reference Price	Static Price Limits Range
BELOW RM1.00	+/- RM0.30 FROM THE REFERENCE PRICE
RM1.00 AND ABOVE	+/- 30% FROM THE REFERENCE PRICE

This safeguard ensures a fair and orderly marketplace for the investors.

In addition to the wider Static Price Limits, Dynamic Price Limits (at stock level) mechanism was introduced in 2013 as an additional market safeguard. This brings Bursa Malaysia in line with international best practice as it is also being practiced by other exchanges such as in Australia, UK and US.

The Dynamic Price Limits provide upper and lower thresholds in percentage or absolute terms that are actively updated in response to price changes. This mechanism increases the sensitivity of the market safeguard to respond to sudden price fluctuations, which may suggest disorderliness in the trading of the stock.

Dynamic Price Limits Range

Last Done Price	Dynamic Price Limits Range
BELOW RM1.00	+/- RM0.08 FROM THE LAST DONE PRICE
RM1.00 AND ABOVE	+/- 8% FROM THE LAST DONE PRICE

The mechanism is designed to address potentially disruptive orders without interrupting regular orders during trading. When an incoming order attempts to match an existing order at a price outside the Dynamic Price Limits range, the incoming order will be purged without disrupting the matching of other regular orders.

The Dynamic Price Limits of the stock can be revoked and suspended for 10 minutes upon request in the event that an investor wishes to have the orders matched at a price outside of the range. To ensure transparency, the marketplace will be duly informed prior to the revocation.

In recognising the importance of closing price, the Exchange instituted Last Price Limits in 2014. While Dynamic Price Limits are set to manage erratic volatility in price during continuous trading phase, Last Price Limits managed the closing price by regulating the theoretical closing price and order entry during the pre-closing phase.

Last Price Limits Range

Last Done Price	Last Price Limits Range
BELOW RM 1.00	+/- RM0.08 FROM THE LAST DONE PRICE
RM1.00 AND ABOVE	+/- 8% FROM THE LAST DONE PRICE

In the absence of a current last done price, a reference price will be used instead. All unmatched orders from the continuous trading phase will be carried forward to the pre-closing phase. Any new orders during the pre-closing phase is required to fall within the Last Price Limits range. This mechanism will ensure that the closing price is determined in a fair and orderly manner.

IMPROVING EFFICIENCY WITH TECHNOLOGY

The technological requirements of our marketplace have grown in tandem with the expansion of our regional and global presence. Technology has become indispensable in enabling market access, facilitating efficient settlements and protecting the data and security of our market participants. We are proud to report that we maintained a 100% uptime for all three of our markets in 2015, while making upgrades that will ensure greater efficiency and protection. These changes include:

- **Replacing Bursa LINK**
  We replaced our existing Bursa Link infrastructure to increase efficiency and provide enhanced functionalities to the listed issuers. The new system optimises business processes with enhanced functionalities for data submission through web browsers. The new system also facilitates online listing applications to help Bursa Malaysia better serve its clients. Arising from this, all paper based applications by listed issuers have been replaced with online applications.

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- **Enhancing our main Data Centre**
  We upgraded our main Data Centre to cater to current and future demand for IT services. The enhancements introduced ensure greater availability of resources organised in a simplified scalable architecture that can operate around the clock. The enhancement upgrades our Data Centre from a Tier-2 to a Tier-3 centre, with the latter having the advantage of zero-downtimes owing to facilities maintenance.

- **Enhancing our data leakage prevention**
  Security of Bursa Malaysia's proprietary and client data is of foremost priority for us in this age of digital disruption. Our data leakage prevention processes work around the clock to prevent data leakage to unauthorised parties through email, the internet and physical media. The enhancements introduced provide better control of the flow of information by filtering and preventing unauthorised dissemination of confidential information.

- **Enhancing our Advanced Persistent Threat ("APT") prevention**
  In tandem with our data protection systems, we have also upgraded our system to defend itself against APT attacks. The system introduced can now detect and isolate APT threats, including "zero day" threats, before they compromise the network and our operations.

- **Receiving ISO certification for our cyber security measures**
  Whereas only the Securities Trading Services was ISO 27001 certified previously, Bursa Malaysia received ISO 27001 certification for its Information Security Management System which covers the following areas:

i.	SECURITIES TRADING SERVICES
ii.	EQUITY CLEARING
iii.	SETTLEMENT SERVICES AND DEPOSITORY SERVICES

ADDED RISK PROTECTION FOR OUR MARKET PARTICIPANTS

Bursa Malaysia has in place three funds to protect the interests of our market participants, namely the Securities Market's Clearing Guarantee Fund ("CGF"), the Derivatives Market's Clearing Fund ("CF") and the Depository Compensation Fund ("DCF").

The CGF is a mechanism to settle claims arising from the defaults of payments or deliveries by our Trading Clearing Participants ("TCPs"). The fund guarantees us readily available financial resources to meet our obligation to complete the settlement of trades when a TCP defaults on its payment or delivery obligation, effectively giving our investors added protection. Bursa Malaysia contributes RM85 million to the fund while another RM15 million is contributed by TCPs.

The CF is a clearing fund established for the Derivatives Market. The fund serves as a final recourse to protect market participants against losses resulting from the failure of, or omission by, clearing participants. The fund comprises fixed contributions of RM1 million from each TCP and RM5 million from Bursa Malaysia. The value of the fund presently stands at RM26 million.

Finally, the DCF has the role to settle claims of investors against Bursa Malaysia Depository arising from negligence and other issues. Each claim is limited to RM100,000. Our policy is to maintain the balance in the fund at RM50 million, which is fully borne by us.

The three funds provide additional safeguard to further manage risks faced by our stakeholders while participating in our markets. The funds are structured in accordance with best international practice and stress-tested periodically to ensure they meet our market's needs.