

Chief Executive Officer's Review

We are pleased to report that Bursa Malaysia delivered its best financial performance since being listed in 2005.

Dear Shareholders,

Bursa Malaysia delivered a stellar performance in a year marked by widespread uncertainties and operational challenges. Credit for this performance must go to all our various stakeholders, especially our employees who have stood by our mission of 'Creating Opportunities, Growing Value' in 2020 despite the challenging environment. Together, we remained steadfast in carrying out our duties, ensuring our market remained open and accessible, while we continued to enhance various aspects of our ecosystem.



Datuk Muhamad Umar Swift
Chief Executive Officer

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Adapting to Unprecedented Circumstances

Bursa Malaysia or the Exchange, as with other businesses and organisations, had to quickly adapt to the unique circumstances from the COVID-19 pandemic. As an integral part of the national economy, we could not afford to waver in our commitment to keep the exchange accessible. This was especially true during periods of uncertainty, which injected a high degree of volatility in our markets and made maintaining a fair and orderly marketplace crucial to preserve investor confidence. We were quick to put in place the necessary infrastructure, rules and processes to safeguard and support our market ecosystem, allowing investors to continue participating in the markets and manage their portfolios and investments effectively.

The Exchange provided numerous measures, both financial and non-financial, to alleviate the impact of the COVID-19 pandemic and ease the burden faced by our market participants and community. These included, among other things, annual listing fee rebates amounting to over RM3 million benefiting more than 350 eligible listed issuers, as well as various margin financing flexibilities for market participants. Meanwhile, we donated over RM700,000 in medical equipment to hospitals involved in the containment and treatment of the COVID-19 cases as well as food provisions, and reskilling or upskilling programmes for communities in need, particularly those in the lower-income B40 segment.

Precautionary measures were taken to safeguard our operations and employees. We made the decision to initiate our split office operation early on in Q1 2020 to secure the continuity of our critical functions while preserving the health and safety of our employees. The split office operation arrangements were continually adjusted based on the evolving needs of the situation.

2020 Performance Overview

We are pleased to report that Bursa Malaysia enjoyed its best financial performance since being listed in 2005. Our Profit After Tax, Zakat and Minority Interest reached a record high of RM377.7 million for the year under review. I am especially proud to share that Bursa Malaysia achieved a Profit Before Tax of RM506.6 million, breaching the RM500 million mark for the first time. Operating Revenue grew 62.2% year-on-year (yoy) mainly from higher trading revenue, particularly from the Securities Market which had seen record figures.

The higher activity was well-supported by our systems infrastructure which smoothly managed the increased volume of trade and trade-related transactions on our systems. Despite our best efforts, we encountered a technical glitch that resulted in a trading halt on our securities trading system on 16 July 2020.

The disruption was caused by a technical issue and was not at all related to any cyber security issue. The Exchange took immediate steps to diagnose the problem and communicate with all participants. Our systems were back online the next day and normal trading resumed. We will continue to monitor our systems and have since undertaken a thorough systems review to minimise the risk of further issues in the future.

Five-Year Highlights

Key Operating Results (RM million)

Operating Revenue

2020	778.8
2019	480.1
2018	523.3
2017	522.1
2016	472.7

Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)

2020	508.4
2019	254.7
2018	304.0
2017	295.5
2016	260.7

Profit after Tax and Minority Interest (PATAMI)

2020	377.7
2019	185.9
2018	224.0
2017	223.0
2016	193.6

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A detailed discussion of our financial performance is available in the Management Discussion and Analysis (MD&A) section of this report, but I would like to highlight some of the achievements in each of our markets:

Please turn to pages 57 to 79 of this report for the MD&A.

Securities Market

The Securities Market enjoyed a record year as the combination of a low interest rate environment, government stimulus packages and exceptional interest in the healthcare sector, especially for glovemakers, encouraged greater participation in the securities market. While foreign funds had exited the Malaysian securities market as they did from other markets in the region, local retail investors emerged in record numbers, supporting and creating a vibrant market. Key highlights of our Securities Market performance include:

In 2020, Bursa Malaysia recorded the highest yoy ADV and velocity growth in ASEAN.

ADV
RM4.2
billion

(2019: RM1.9 billion)

GROWTH
118.1%

RETAIL ADV
RM1.6
billion

(2019: RM473.5 million)

Trading velocity
64%
(2019: 28%)

In 2020, retail investors were **net buyers** to the tune of
RM14.3
billion
(2019: RM2.6 billion)

Derivatives Market

Volatility and uncertainty in the commodities and securities markets lifted the trading of derivative products, which resulted in our Derivatives Market posting a record-breaking year. The Derivatives Market broke 18 trading records during the year, an indication of the rise in confidence and strong appeal of our products by market participants. Key highlights include:

Achieved historical high for **total Average Daily Contracts** of
73,523
contracts representing a 32.8% yoy growth from 2019.

Achieved new record for total trading volume of **Crude Palm Oil Futures Contract** of
14.6 million
contracts in 2020, after surpassing the previous record of 11.9 million total contracts in 2017.

Islamic Markets

The Islamic capital market enjoyed strong growth in tandem with the overall surge in securities trading. We continued to see growth in the ADV of the Bursa Suq Al-Sila' (BSAS) commodity Murabahah trading platform, which grew 7.8% yoy to RM32.9 billion from RM30.6 billion a year ago. Despite the growth in ADV, revenue from BSAS was lower for the year as a higher volume of trades were conducted under the volume-based pricing scheme, which attracts a lower effective fee.

Creating Opportunities, Growing Value

We continued to deliver initiatives aimed at enhancing our marketplace in pursuit of our aspiration to be ASEAN's leading, sustainable and globally-connected marketplace while we worked on measures addressing unfolding events related to the COVID-19 pandemic. These initiatives will further strengthen our market ecosystem and bridge new relationships that will take us another step closer to our ambitions. The following are some of our main achievements during the year.

New and Updated Product Launches

Our strategy emphasised the development of new and revamped products to attract more investors and increase vibrancy in our market. Key initiatives implemented during the year include:

- Launch of the USD RBD Palm Olein Options (OPOL): OPOL is the world's first US-dollar denominated options contract covering palm olein, giving investors and traders the ability to hedge their exposure to the commodity, effectively expanding the suite of risk management tools available to palm oil traders.

- Relaunch of the 5-Year Malaysian Government Securities Futures Contract (FMG5): FMG5 was relaunched with physical settlement rather than cash-settlement as its settlement methodology. The new settlement arrangement enhances FMG5's capability as a hedging tool, especially for financial institutions in managing interest rate risks.
- Relaunch of the Mini FTSE Malaysia Mid-70 Index Futures (FM70): The new FM70 features a revised tick size and contract multiplier aimed at improving cost efficiency and liquidity for participants.
- New listings of government securities on the Exempt Regime: The Exchange listed 76 government instruments comprising 41 Malaysian Government Securities and 35 Malaysian Government Investment Issues on the Exempt Regime. These instruments were issued in part to finance the government's stimulus packages and economic recovery plan under the COVID-19 Fund. While the issuances and trading of these securities remain over-the-counter, their listing on Bursa Malaysia provides greater visibility and transparency to investors.

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New Services and Ecosystem Enhancements

Our strategy in this area aimed to improve market accessibility and efficiency. It also covered the deployment of new technology designed to make our markets more vibrant and resilient. Initiatives undertaken in 2020 include:

- New features on Bursa Anywhere mobile app: We enhanced our Bursa Anywhere app to offer new account management services digitally, including the opening of new CDS accounts, the reactivation of dormant or inactive accounts and registration for e-dividend payments. This enhancement leverages on the continuing growth in smart device usage, which we expect to grow further in the future. These new features were timely introductions in light of physical movement control orders.
- Expanded the market-making framework to improve market efficiency and provide greater liquidity in response to market demands. The new framework comprises three changes:
 - The qualifying criteria for foreign entities to participate as a market-maker has been broadened.
 - A new category of participants — Derivatives Specialists — was introduced and allowed to utilise the Permitted Short Selling (PSS) framework for market-making Single Stock Options (SSO) and Single Stock Futures.
 - Existing market-makers of Structured Warrants and SSO are now permitted to utilise PSS for market-making.
 With the new framework, market-makers have greater flexibility to quote prices and respond to market demands. The expansion also enhances our market-makers' ability to manage risk by hedging their exposure to price volatility.

Over
260,000
new **INDIVIDUAL CDS**
accounts in 2020

- Amendments to our Listing Requirements (LR): The LR for the Main and ACE Markets were amended to enhance disclosure requirements in connection with the new issue of securities. Under the new requirements, the definition of independent directors was also updated to strengthen the independence of proposed directors. Furthermore, enhancements were made to allow securities holders to subscribe for rights shares, exercise convertible securities and participate in a dividend reinvestment scheme electronically. These are aimed at providing greater convenience for investors and enhancing investor protection.
- Successful implementation of ISO 20022 messaging standards: The Exchange, in adopting global best practices, completed the implementation of ISO 20022 messaging standards for corporate announcements by our public listed companies (PLCs). In adopting the standard, we improved the overall efficiency of our market by achieving higher Straight-Through-Processing while at the same time providing global institutional clients with consistent and timely corporate announcements from our listed issuers.

Marketing and Promoting our Marketplace

The outbreak of the COVID-19 pandemic meant that many of our events had to be conducted virtually due to the restrictions on physical gatherings and movement. Taking advantage of digital channels, we reached out to a wider global audience than our physical events had in the past. Notable successes of our flagship events during the year include:

- The Invest Malaysia Virtual Series, which attracted 1,231 participants from 279 institutions around the world.
- The Virtual Palm and Lauric Oils Price Outlook Conference and Exhibition, which attracted 2,561 registrations and 1,704 unique logins from international industry players.
- Our inaugural Shariah Investing Virtual Conference 2020, which attracted the participation of over 1,300 virtual attendees from around the globe including the United States, Africa, the Middle East-North Africa region, Europe and Asia.

We also enhanced our collaboration with the Shenzhen Stock Exchange to encourage greater cross-border fund flows and investments. The collaboration will enhance the visibility of Bursa Malaysia's PLCs, products and services to China's investors.

In addition, the Exchange collaborated with CGS-CIMB Securities Sdn Bhd to hold the inaugural InvestHack, the first retail investment hackathon. InvestHack challenged participants to create and present potential innovative solutions to enhance and sustain retail participation in the marketplace.

Other Developmental Highlights

The combination of new technological advances and renewed interest in securities investment has seen a surge of new investors in our marketplace. While continuing to support increased retail participation in our marketplace, we also want to raise the level of investment savviness among Malaysians.

As part of our efforts to guide them through the processes and risks associated with market participation, we launched Bursa Academy in June 2020, an e-learning platform targeted primarily at retail investors across the Securities, Derivatives and Islamic Capital Markets. We also introduced the Mirror, Learn & Trade feature on the Bursa Marketplace (BursaMKTPLC) mobile app to encourage both potential and current investors to elevate their investment knowledge and strategies.

In other developments involving fintech, we embarked on several innovative proof-of-concepts (PoCs) in 2020, namely the bonds on blockchain PoC and ESG PoC leveraging artificial intelligence. These were conducted to explore potential product or service offerings and deepen our fintech capabilities. Conducting PoCs via collaborations are in line with the actions taken by other exchanges around the world.

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Awards and Recognition

It is always a moment of pride when Bursa Malaysia receives acknowledgement for the success of our efforts in creating a vibrant marketplace for our stakeholders. The awards we received stand as a testament to the efficacy of our initiatives to fulfil our purpose and obligations for our marketplace. The following is a list of awards received in 2020:

- 1** 'Best Stock Exchange for Islamic Listings' for the second year in a row by Islamic Finance News at the 14th Annual IFN Services Providers Poll
- 2** Bursa Malaysia Derivatives won 'Exchange of the Year - Asia Pacific' at the Futures & Options World International Awards 2020
- 3** The 2019 ASEAN Corporate Governance Scorecard Award for the Top 20 ASEAN Publicly Listed Companies, ASEAN Asset Class Award and Malaysia Top 3 PLC
- 4** Bursa Malaysia was included in the Bloomberg Gender-Equality Index, highlighting our commitment to transparency in gender reporting and the advancement of women in the workplace

The Way Forward: Our New Strategic Roadmap

We strive to build a diversified exchange that is ready to respond to the changing market landscape. Conditions brought about by the pandemic have emphasised the urgent need to future-proof our businesses. In response, we have rolled out a new Strategic Roadmap. Our aim is to further expand our offerings and become a multi-asset exchange. These objectives are guided by our 2021–2023 Strategic Roadmap in which we outline our key initiatives going forward.

The Strategic Roadmap is built on five pillars:

- Strengthening Our Core Business — Securities Market
- Diversifying the Derivatives Business
- Positioning Bursa Malaysia as the Global Hub for Islamic Capital Markets
- Providing New and Improved Services to the Capital Market
- Embedding Sustainability in Our Organisation and Marketplace

These will require cohesive action throughout our organisation.

Our 2021–2023 Strategic Roadmap focuses broadly on three main strategies

- 1** Product Expansion
- 2** Ecosystem Development
- 3** Capacity and Capabilities Building

Our 2021–2023 Strategic Roadmap focuses broadly on three main strategies: Product Expansion, Ecosystem Development as well as Capacity and Capabilities Building. The Strategic Roadmap entails various initiatives to increase market vibrancy, including attracting a wider and more diverse investor base, and collaborating with strategic partners such as working with key institutional investors to progress towards more sustainable offerings. We are also looking to roll out several new products and asset classes, while building our capabilities in fintech via PoCs such as our blockchain initiatives and exploration of artificial intelligence.

Key enablers for our future success are the development our people and culture, as well as investing in technology so as to ensure the robustness of systems, applications and infrastructure, to deliver customer service excellence, provide agility and to further improve the cost structure for the market participants. A holistic human resources

strategy has also been rolled out focusing on several main objectives, including securing the leadership succession of the Exchange, cultivating a data-focused workforce and ingraining sustainable thinking in our corporate culture.

Our competitive environment and the needs of our participants continue to evolve. Thus, the way we do things should change and our offerings must expand. Our Strategic Roadmap outlines exciting opportunities for charting our growth trajectory and sustaining market vibrancy.

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Our Exciting Journey Continues

The COVID-19 pandemic has continued to introduce uncertainties in the economy but we are confident that the government stimulus packages, the gradual reopening of the economy and the progress of the COVID-19 vaccination efforts will aid in the country's economic recovery and maintain the buoyancy of our markets.

Our efforts to increase market vibrancy and liquidity prepared our market to support the increase in retail participation and the emergence of millennials in the securities market. Leveraging this positive momentum, the Exchange will continue to introduce new initiatives and widen product offerings to enhance Bursa Malaysia's attractiveness for a new generation of investors. We have been working closely with regulators to ensure market efficiency as well as improve market accessibility and liquidity, and will faithfully continue to do so.

Lastly, I would like to thank our stakeholders for their unwavering support. We look forward to further developing the capital market together with you as we progress on our Strategic Roadmap. We will enhance our systems and expand our offerings with new products and asset classes. In all that we do, our intent is to make the Exchange accessible and approachable, while delivering a fair, orderly, and vibrant marketplace.



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