

## Management Discussion and Analysis

### Delivering Our Strategy

The year under review proved to be a litmus test for the effectiveness of the Exchange's strategies and business continuity plan.

Over the last few years, Bursa Malaysia has invested substantial time and resources to enhance our marketplace and improve the reliability of our systems and processes such that our organisation can continue to operate and fulfil our obligations to our stakeholders at all times, including in the event of a crisis or emergency. We are pleased to report that despite the challenges posed by the COVID-19 pandemic, Bursa Malaysia emerged relatively unscathed, and managed to preserve the immediate- and long-term confidence in our marketplace.

#### FINANCIAL REVIEW

Bursa Malaysia posted a Profit After Tax, Zakat and Minority Interest (PATAMI) of RM377.7 million for the financial year ended 31 December 2020, the highest since its listing in 2005. This represents an increase of 103.2% from the RM185.9 million recorded in 2019.

The better-than-expected results were driven largely by the improved performance of the Securities and Derivatives Markets, which together substantially contributed to a higher operating revenue of RM778.8 million from RM480.1 million in 2019, an increase of 62.2%. This was driven by a surge in domestic trading activity which was supported by strong domestic liquidity, the low-interest rate environment as well as the strong foundations built into the Exchange's marketplace and systems. Bursa Malaysia ended the year as one of the best performing exchanges in ASEAN, with the FBMKLCI benchmark index closing out the year at 1,627.21 points, 2.4% higher than the close of the preceding year.

Operating expenses increased 18.5% to RM291.8 million year-on-year (yoy) due mainly to higher manpower costs, information technology maintenance costs, as well as Globex and professional fees incurred. The increase in total operating expenses was partially mitigated by lower marketing and development costs as most events were conducted virtually during the year.

The Exchange's capital expenditure (capex) for 2020 amounted to RM14.2 million (2019: RM19.6 million) and was funded entirely by internally generated funds. Our capex spending was focused on the delivery of strategic objectives including refreshing our internal IT infrastructure, continuous enhancement to Bursa Anywhere services and system enhancement to support MGS physical delivery.

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 declared a final dividend as well as a special dividend of 26.0 sen per share and 8.0 sen per share, respectively, for 2020. The interim dividend of 17.0 sen per share and the final dividend of 26.0 sen per share, combined, represents a payout of 92.1%. This is in line with our policy of paying out no less than 75% of our annual PATAMI and our practice of paying out more than 90% of PATAMI since listing.

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## SECURITIES MARKET

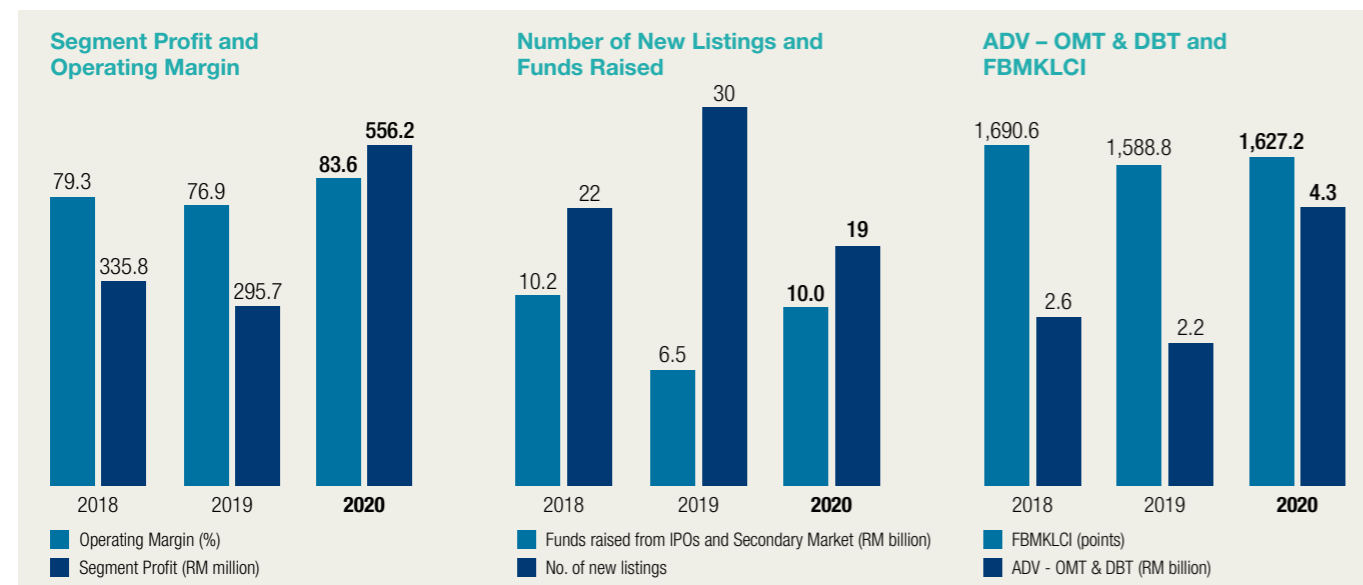
The Securities Market put on a strong performance in 2020 as the combination of the volatility in the market from the developments surrounding the COVID-19 pandemic such as high demand for personal protective equipment like rubber gloves and the development of vaccines, the low interest rate environment, government stimulus spending and the gradual reopening of the economy spurred active trading activities in the Securities Market.

Sluggish trading on the Securities Market at the start of the year recovered to post record high numbers in spite of the challenging operating environment.

The Securities Market reported a record operating revenue of RM654.5 million (2019: RM372.2 million), rising 75.8% and contributing 84.0% of total Group revenue in 2020. Trading revenue rose 114.3% to RM498.9 million (2019: RM232.8 million) with the average daily value (ADV) for on-market trades (OMT) and Direct Business Trades (DBT) rising 100.1% to a record RM4.3 billion (2019: RM2.2 billion). This surge in activity was driven by the return of retail investors to the securities market in numbers unseen in a decade, as well as increased buying activity from local institutions. Trading velocity was higher by 36 percentage points to 64% (2019:

28%). Retail investors were net buyers with total trades amounting to RM14.3 billion (2019: RM2.6 billion). Retail ADV increased 235.6% to hit a record high of RM1.6 billion (2019: RM473.5 million). With the higher operating revenue, the Securities Market's profit increased 88.1% to RM556.2 million for the year (2019: RM295.7 million).

Meanwhile, non-trading revenue from the Securities Market increased by 11.6% yoy to RM155.6 million (2019: RM139.4 million) mainly due to higher additional listing fees and processing fees earned from higher number of corporate exercises, higher record of depositors fees, transfer fees, market data fees and account opening fees. Revenue from Market Data surged 21.4% to RM36.4 million (2019: RM29.9 million).



## Segment Revenue

	2019 RM million	2020 RM million	% Change
Trading Revenue	232.8	498.9	114.3%
Listing & Issuer Services	53.9	56.9	5.6%
Depository Services	41.9	49.2	17.4%
Market Data	29.9	36.4	21.4%
Member Services and Connectivity	13.7	13.1	-3.9%
<b>Total</b>	<b>372.2</b>	<b>654.5</b>	<b>75.8%</b>

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## Operating Environment

Cautious investor sentiment amidst fear of further escalation of tensions in the Middle East and the US-China trade deals saw the FBMKLCI drift lower at the start of the year. The benchmark index closed at its lowest level at 1,219.72 points on 19 March 2020 as investors remained jittery about the impact of the COVID-19 pandemic and the change in government before rallying to close the year at 1,627.21 points.

Share prices of Healthcare, Pharmaceutical and Technology counters soared on the expectation of a surge in demand for their products and services due to the COVID-19 pandemic. However, this did not stem the net outflow of foreign funds which reached a monthly high of RM5.5 billion in March 2020 following the Malaysian Government's imposition of the first Movement Control Order (MCO). At the end of a volatile year, the market capitalisation of Bursa Malaysia rose marginally to RM1.8 trillion in 2020 (2019: RM1.7 trillion) with total foreign net outflow from the equity market reaching RM24.6 billion. Foreign holdings of debt securities and sukuk did however increase RM18.3 billion or 8.9% to total RM223.0 billion in 2020 from RM204.7 billion in 2019\*.

Meanwhile, the COVID-19 pandemic would also see the Exchange adopt new means and practices to manage the restrictions on movement and physical meetings as a result of the MCO. Electronic and virtual means were used as substitutes to minimise the risk of contagion, including for events such as our flagship Invest Malaysia conference and listing ceremonies of new initial public offerings (IPOs). Meetings as well as educational and awareness programmes were all conducted virtually.

Aside from the COVID-19 pandemic, the Securities Market also had to contend with other challenges including:

- The level of investor confidence in our marketplace in relation to the prospects of the Malaysian economy and the earnings performance of our PLCs.
- Changing investor preferences and operating dynamics.
- Evolving customer behaviour driving rapid proliferation of digital platforms.
- Increasing prominence of passive investing strategies.
- Level of awareness of the associated risks of our products and services among the investing public and community.

Meanwhile, we continued to deliver our plans and their outcomes based on our strategic plan during the year.

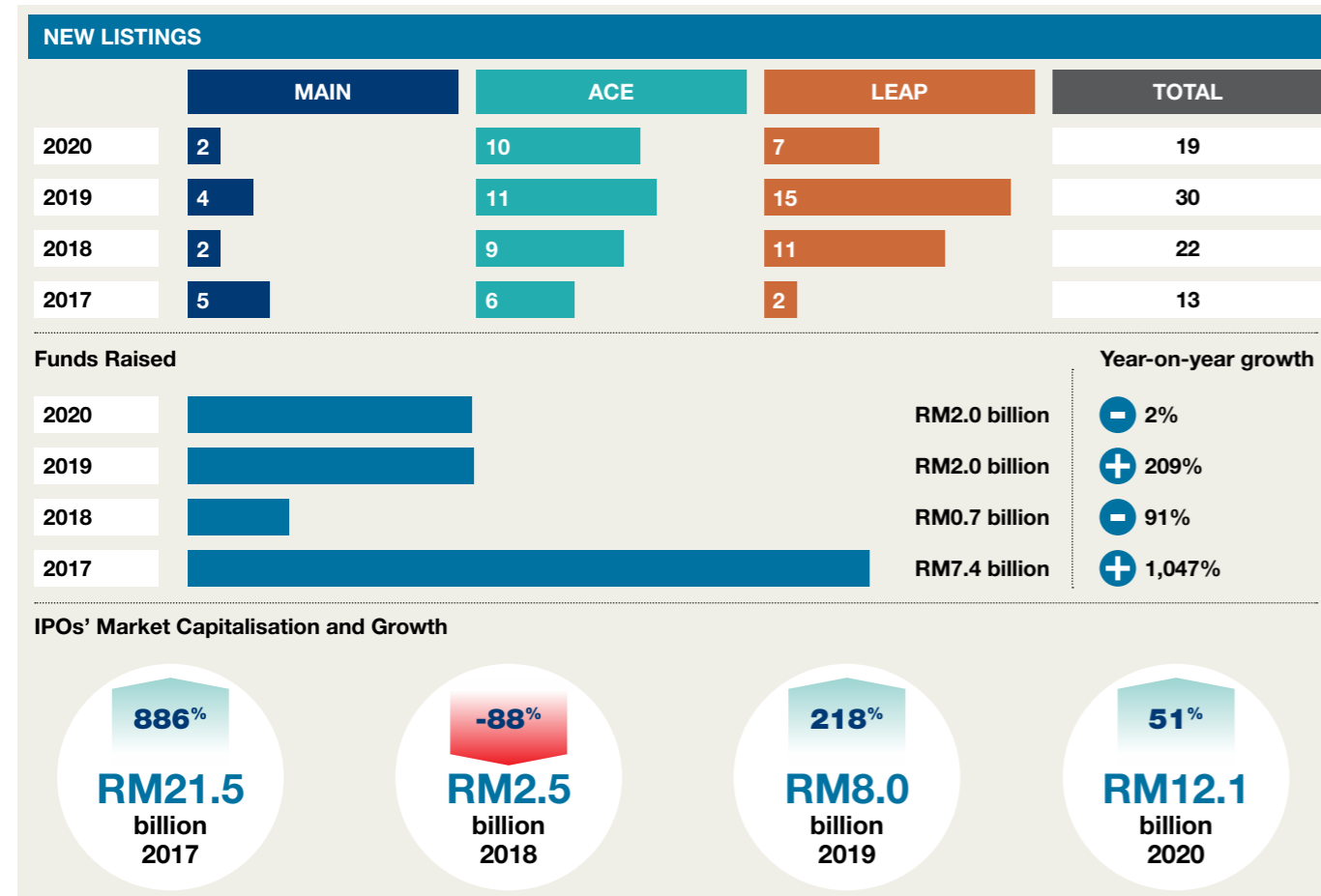
\* Source: Bank Negara Malaysia

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### Strengthening the Core

#### Initial Public Offerings (IPOs) and New Listings

The Exchange saw 19 new listings in 2020 (2019: 30 listing) which raised a total of RM2.0 billion (2019: RM2.0 billion). Although the total number of listings had declined in 2020, the IPOs collectively contributed a total of RM12.1 billion to the market capitalisation representing an increase of 51.0% from RM8.0 billion in 2019. While there were fewer listings, the average size of each listing was significantly larger than in the previous year. Mr D.J.Y. Group Berhad, which raised RM1.5 billion and contributed RM10.0 billion to market capitalisation, was the Exchange's largest listing since 2017. Increased retail participation also fuelled IPO subscription rates, especially for mid-sized IPOs, with Optimax Holdings Berhad achieving an oversubscription rate of 82.1 times. The LEAP Market also recorded the listing of its first irredeemable convertible preference shares in conjunction with the listing of ICT Zone Asia Berhad on 15 December 2020 by way of introduction.



Concerns over the impact of the COVID-19 pandemic on investor confidence and corporate earnings have led some potential issuers to delay their IPOs and take a wait-and-see approach. Face-to-face IPO marketing and promotional activities were converted to virtual meetings, leveraging on digital means. A total of 54 one-on-one consultations and 17 seminars were conducted in 2020.

#### Supporting Our PLCs and Business Partners

The Exchange waived the processing fees for listing applications to the ACE and LEAP Markets submitted between 27 February 2020 and 26 February 2021 to ease the financial burden of listing in this challenging operating environment. In addition, a waiver was also extended to the initial and annual listing fees for companies meeting either of the following criteria:

- newly listed on the ACE or LEAP Markets between 27 February 2020 and 26 February 2021; or

- newly listed on the Main Market between 27 February 2020 and 26 February 2021 and with a market capitalisation of less than RM500.0 million.

Separately, existing PLCs with a market capitalisation of below RM500.0 million as at 31 December 2019 and which reported losses after tax for their quarters that ended between 1 April 2020 to 30 June 2020 were given a 50% rebate on their annual listing fees.

Other forms of support granted to our PLCs during the year include:

- A 12-month extension for PLCs classified under Practice Note 17 or Guidance Note 3 (PN17/GN3) to submit their regularisation plans.
- An automatic one-month extension for Main and ACE Markets-listed issuers to submit financial statements including quarterly and annual reports. Similarly, a one-month extension was

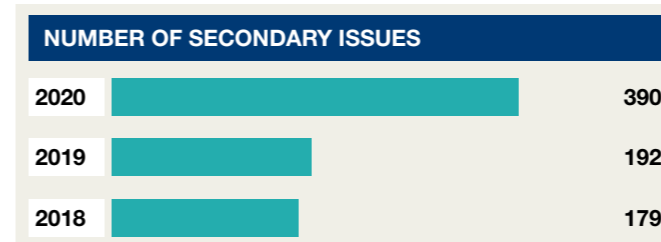
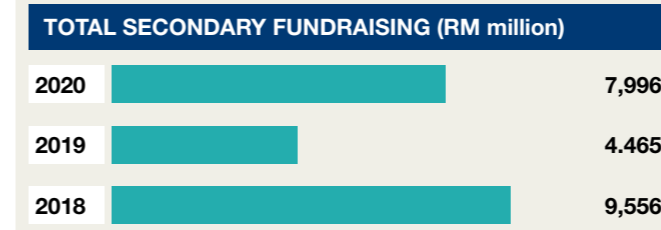
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granted for LEAP Market-listed issuers to submit their audited financial statements that were due between 31 March 2020 and 30 April 2020.

- Greater flexibility for brokers to manage margin accounts by removing the requirement to automatically liquidate their clients' margin account should the equity in the margin account fall below 130.0% of the outstanding balance and expanding the list of collaterals for margin financing to include other assets such as bonds, collective investment schemes, unit trusts, gold and immovable properties.
- A time extension for Authorised Depository Agents (ADAs) to submit physical Central Depository System (CDS) transaction forms for transactions performed between 2 March 2020 and 30 April 2020.

#### Secondary Market

In 2020, we recorded a two-fold increase in the number of issuances from 192 in 2019 to 390. The majority of the secondary issuances came from the Industrial Products & Services, Technology and Energy sectors, which collectively accounted for 65.6% of the 390 issuances.



In terms of the total amount of secondary funds raised, we recorded approximately RM8.0 billion in 2020, an increase of 79.1% from the RM4.5 billion raised in 2019. The three companies raising the largest amount of secondary funds were Sunway Berhad, Sunway REIT and Serba Dinamik Holdings Berhad which raised RM1.1 billion, RM710.0 million and RM456.7 million respectively.

#### Alternative Market

In the bonds and sukuk space, the Exempt Regime of Bursa Malaysia recorded the listing of 76 Government instruments comprising 41 Malaysian Government Securities (MGS) and 35 Malaysian Government Investment Issues in December 2020. Collectively, these instruments reported a total outstanding amount of approximately RM811.0 billion as at 31 December 2020.

In addition to the Government instruments, the Exempt Regime recorded 27 programmes worth approximately RM312.8 billion. From this total, 85 issuances of sukuk or debt securities amounting to approximately RM176.5 billion in nominal value from 23 corporate issuers have been issued as at 31 December 2020.

#### Our Institutional Roadmap

Our institutional outreach programme is a core component of our business activities designed to develop and diversify our institutional investor base. Traditionally conducted on a face-to-face basis, our outreach programmes pivoted to virtual alternatives as a result of the restrictions caused by the pandemic. We conducted 28 targeted marketing and outreach programmes, 18 virtual sectoral and corporate events, four MidS Gems events and three Passive Investing Index events.

We also put together a virtual edition of our annual Invest Malaysia Kuala Lumpur (IMKL) event which has traditionally been a flagship event in our corporate calendar. We held three virtual IMKL events in 2020 covering more themes and sectors than the previous physical IMKL events. We co-hosted each event with a different broker and addressed unique themes. The events attracted a total of 1,231 participants from 279 institutions globally and was broadcast live on social media for the first time. This greatly increased the accessibility of our IMKL events, particularly by retail market participants, and recorded over 20,000 live views on each day of the event.

We launched the Institutional Insights portal, a repository of key content and takeaways from sectoral events, on the Bursa Malaysia website. The portal provides viewers greater access to PLCs, expert speakers and sectoral events that were previously available only to the brokers' institutional clients.

#### Our Retail Roadmap

Our Retail Roadmap aims to galvanize greater participation by retail investors. The increase in retail participants to our market in 2020 was a positive development with 264,118 individual CDS accounts opened during the year while 67,810 inactive and dormant accounts were reactivated. In terms of ADV, retail investors accounted for 37.7% of total market ADV, building on the record high of 24.5% that we saw in 2019.

In addition to new products and services developed for the retail market as well as the delivery of programmes together with our partners, we also conducted direct marketing initiatives which were aimed at raising retail awareness on the importance of investments in financial portfolios. These events were also designed to raise the general level of financial literacy.

Our education and advocacy programmes were conducted through various channels including our online platforms and social media. These digital channels were particularly important sources of information and education in 2020 in light of the revival of retail interest in investing and the limitations due to the MCO. Retail initiatives conducted in 2020 include:

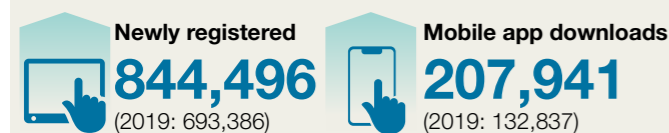
- Incentivising our intermediaries and our salesforce to secure greater retail trading participation.
- Promoting awareness and education through Bursa Marketplace (BursaMKTPLC), as well as through the Mirror, Learn and Trade (MLT) programme.
- Launching a series of informational and educational videos on BursaMKTPLC social media channels during the MCO to keep our investors aware and informed on developments in the market.

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- Providing market outlook videos by analysts to give our retail investors a snapshot of our PLCs and sectors that were in focus.
- Broadcasting interviews with Chief Executive Officers of our PLCs on Facebook Live to give retail investors a better understanding of targeted companies.
- Launching an inaugural fintech Hackathon event, InvestHack, which encouraged participants to submit ideas that could enhance the market with innovative solutions. A total of 75 teams participated in the InvestHack.
- Conducting various workshops and webinars in collaboration with foreign broker partners to increase foreign retail investors' awareness of our marketplace.

We have received positive response to our outreach programmes, particularly from segments that have traditionally been resistant to securities trading. In 2020, 64.0% of all new applications for retail investing accounts were by investors aged 26-45 years old, while the number of new accounts opened by women investors rose 111.0% yoy. This is a step in the right direction for the Exchange as obtaining greater participation from these segments of investors is an important part of our sustainability strategy. The new CDS account openings were partly supported by a new feature in our Bursa Anywhere mobile app.

**Our BursaMKTPCLC platform also saw more visitors in tandem with the rise in retail participation.**



### Exchange-Traded Funds (ETFs)

ETFs have been identified as an important component of our growth strategy as it is a trading product with significant untapped potential. To realise this latent potential, we have engaged with stakeholders and collaborated with our business partners. Key developments in the ETF ecosystem during the year include:

- Increased the listing and variety of ETFs to 20 (2019: 16), including Leveraged and Inverse ETFs (L&I ETF), US- and China-focused ETFs as well as Smart Beta ETFs.
- Leveraged on digital channels including social media platforms to increase more awareness of ETFs.

In a national move to further support the take-up of ETFs, the Malaysian government announced that the stamp duty exemption for ETF trading is extended until the end of 2025. While we have achieved some success with our ETF programme, there remain a number of challenges facing the ecosystem, particularly for institutional investors, including:

- The lack of institutional mandates to invest or seed new products such as ETFs.
- Insufficient assets under management (AUM) to warrant a solid business case for ETF issuers to sustain or grow their offerings.

### Structured Warrants (SWs)

Similar to ETFs, SWs have been earmarked as another avenue of growth for the Securities Market. The main appeal of SWs is the additional value they create for our stakeholders by making another asset class available to different risk appetites as well as for investment strategies. To increase the understanding of SWs, we continued the delivery of online education and awareness programmes on Bursa Academy.

The number of SWs quoted on our Exchange has increased steadily to 1,208 in 2020 (2019: 1,105). This growth is supported in part by incentives in the form of an initial listing fee rebate. Despite a two-month disruption in SWs issuance due to the MCO, the SWs market pulled ahead in terms of both new issuances and ADV. The ADV for SWs totalled RM143.5 million, 72.9% higher than RM83.0 million recorded in the previous year. The sharp increase in ADV was attributable to the increase in retail participation and general trading activities.

Going forward, we will continue to work with issuers to lower their cost of SW issuance through the implementation of incentive schemes.

### Enhancing the IPO Ecosystem

Ensuring a continuous stream of IPOs is essential for the continued growth and sustainability of our marketplace. New listings not only add to our total market capitalisation, but also expands the breadth and depth of our marketplace in terms of product range and liquidity. This is essential for the sustained creation of value for our stakeholders and our potential issuers.

The IPO ecosystem was affected by the MCO in 2020 as traditional IPO marketing and promotional activities were disrupted by the movement and physical meeting restrictions. This challenge similarly extended to our efforts to build our IPO pipeline, especially in attracting potential issuers. Therefore, digital alternatives were used in our engagements with stakeholders.

A total of 17 IPO seminars were held during the year. The seminars addressed the concerns and questions of potential issuers who were either unfamiliar with the Exchange's listing criteria or concerned about their readiness for listing.

We also worked with our regulatory authorities to enhance the IPO ecosystem. Our main priority is to ensure greater efficiency in existing processes and that the regulatory framework does not burden potential issuers.

### Increasing Market Liquidity

Market liquidity is an important indicator of the health and vibrancy of a capital market and remains a key consideration for market participants and the Exchange. Increased liquidity enhances the sustainability and value of our marketplace. Among our initiatives to increase the market's liquidity include:

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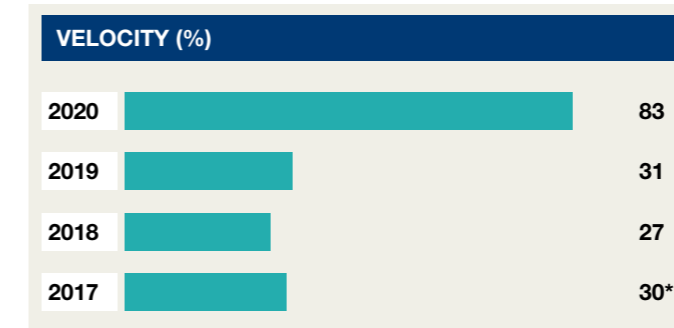
### Mid and Small Cap Research Scheme (Bursa MidS)

The Bursa MidS programme was launched in 2017 to raise the visibility of mid- and small-cap companies quoted on our markets. Under the programme, analysts from research houses produced research reports on participating small- and mid-cap PLCs, and these reports are subsequently distributed to the public on BursaMKTPCLC.

We have a specific Bursa MidS webpage on our BursaMKTPCLC to disseminate information on the Bursa MidS. The cumulative traffic and statistics recorded from 2017 to 2020 are highlighted in the table below:

As at end December	2017	2018	2019	2020
Cumulative Number of Reports Uploaded (Include initiation coverage, summary reports, result reviews and company updates)	421	1,259	1,829	<b>2,153</b>
Cumulative Number of Bursa MidS Company Report Downloads (from BursaMKTPCLC website)	8,835	27,201	42,519	<b>53,222</b>
Cumulative Number of Reports Summary Views	9,244	21,033	29,579	<b>41,089</b>
Cumulative Number of visits/users to BursaMKTPCLC Bursa MidS page	33,721	42,445	47,836	<b>53,093</b>
Cumulative Number of page views by users for BursaMKTPCLC Bursa MidS page	236,593	326,770	383,462	<b>489,084</b>

Due to several factors, including the impact of the Bursa MidS programme and increase in retail participation in 2020, the average monthly velocity in 2020 recorded by the participating PLCs of Bursa MidS increased significantly as shown in the table below:



\* Average monthly velocity from May 2017 (being the launch month of Bursa MidS in 2017) to Dec 2017.

Bursa MidS was supported and funded by the Capital Market Development Fund (CMDf). The scheme ended in December 2020 and recorded the participation of 94 PLCs and 20 research companies.

### Volume-Based Incentive Programme (VBIP)

Launched in 2018, the VBIP invigorates traders to transact higher volumes while encouraging the entrance of new classes of traders such as foreign proprietary trading firms. The presence of new traders and higher trade volumes are expected to bolster market vibrancy and also inject resilience into our marketplace. Registered VBIP participants contributed an average of 12.4% to total market ADV in 2020 as compared to 11.0% in 2019.

### Intraday Short-Selling (IDSS)

IDSS was introduced in April 2018 to increase market liquidity and give investors greater flexibility in taking advantage of market volatility. IDSS has had visible impact in the securities trading since its introduction, accounting for 2.4% or RM46.0 million of total ADV in 2019. However, as part of a slew of measures by Bursa Malaysia and SC to mitigate potential risks arising from heightened volatility and global uncertainties, the IDSS and Regulated Short-Selling programmes were suspended from 24 March 2020 to 31 December 2020.

### Channel Management

Our channel management initiatives were established in 2017 to foster more effective, cohesive and collaborative business relationships with our partners. Together, we develop strategies to showcase, develop and grow the Malaysian market through regular engagements on all our initiatives. In 2020, we conducted eight webinars which saw the participation of 800 dealer representatives and remisiers. The webinars are aimed to keep the participants abreast on the initiatives undertaken by the Exchange in the products and services space.

We also developed Quarterly Broker Data Factsheets which we share with our partners. These Factsheets rank our partners vis-à-vis industry average in all areas of the broking business. The purpose of the Factsheet is to provide our partners with business benchmarks to encourage them to further grow their respective market share.

### Bursa Excellence Awards

The Bursa Excellence Awards has established itself as one of the highest accolades of success that brokers can receive in the Malaysian capital market. In 2020, the Awards ceremony was held on 30 July 2020 with the theme 'Rising to the Challenge'. The achievements of top-performing brokers and market intermediaries contributing to the growth across our markets in 2019 were recognised during the ceremony, with a total of 47 awards in 21 categories presented.

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### Capitalising on Technology and Information

The Securities Market depends on technology to improve the efficiency of its operations and to expand its capabilities for our market participants. Technology also became an enabler of communication between our team and our stakeholders in this past year owing to the restrictions due to the MCO. Our team leverages on technology to conduct educational seminars, raise awareness and conduct virtual events in fulfilling our obligations to enhance the market ecosystem.

#### Key initiatives in 2020 include:

- Enhancing the Exchange's Bursa Anywhere mobile app to allow for the opening of new CDS accounts, the reactivation of inactive or dormant CDS accounts and online e-Dividend registration.
- Revising the CMDF ETF initiative to provide subsidies for ETF market-makers in their technology investments.
- Making available sufficient information on ETFs on BursaMKTPLC.
- Certifying potential L&I ETF investors who have gone through L&I ETF educational videos and performance simulators through Bursa Academy.
- Organising online webinars through Zoom and Youtube Live, and the Kahoot! Platform for online, real time trading quizzes. A total of 29 webinars reaching out to over 10,000 participants were held in 2020.
- Offering free SWs courses on Bursa Academy.
- Incentivising new investors to include ETFs in their investment portfolio through our Touch 'n Go eWallet cashback programme.

### Enhancing Regional and Global Connectivity

The Exchange continued to develop linkages with our partners from across the world through formal arrangements with partner exchanges as well as through our promotional activities. Due to the restrictions on movement, many of our regular events were held virtually during the year. These included:

- Invest Malaysia virtual conference,
- Bursa Malaysia's Institutional Sectorial Series,
- Bursa Malaysia's Institutional Corporate Series highlighting sectors or themes of focus, and
- Tactical campaigns and social media campaigns.

Bursa Malaysia also organised dedicated webinars with the Shenzhen Stock Exchange (SZSE) and the Stock Exchange of Thailand to encourage greater cross-border fund flows and investments. Additionally, we also partnered with V-Next platform, a wholly-owned subsidiary of SZSE, to on-board Malaysian PLCs for greater business connectivity and profiling for Chinese investors.

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### DERIVATIVES MARKET

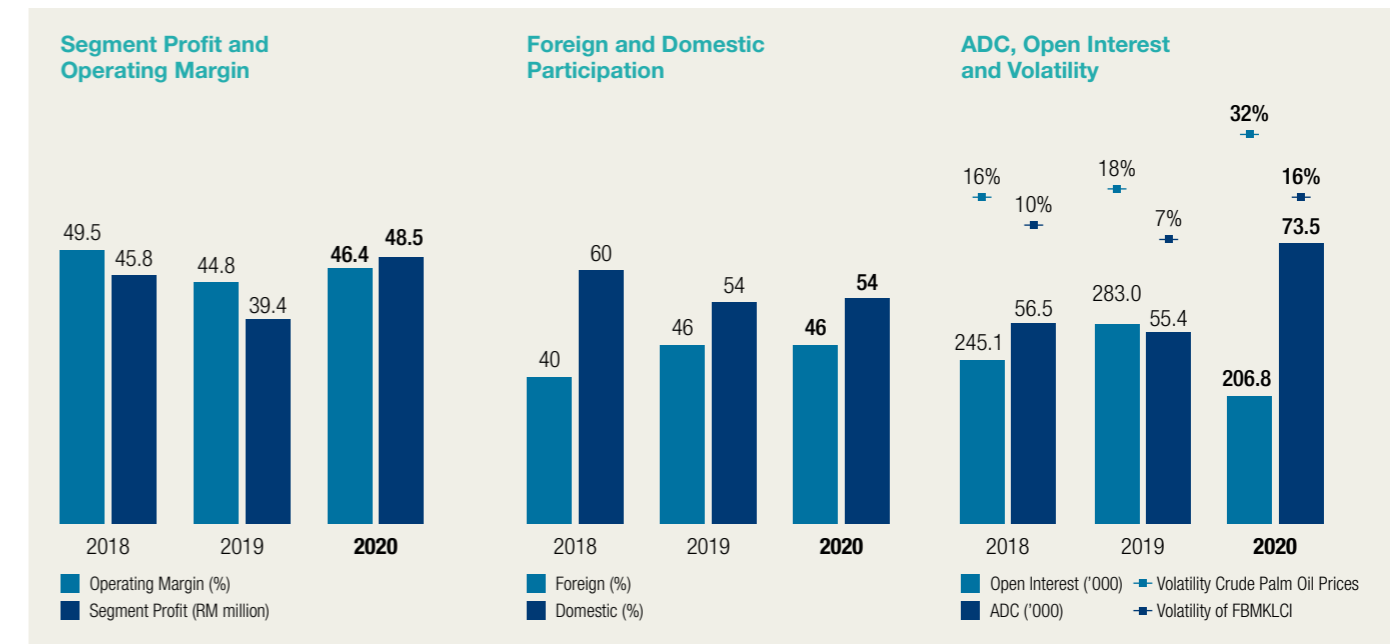
The Derivatives Market turned in a strong performance on the back of record-breaking trading numbers. Demand for our derivative products was boosted by the greater number of investors increasing the hedging of their positions to cope with the heightened uncertainties due to the COVID-19 pandemic.

Derivatives trading revenue increased 26.0% to RM91.1 million from RM72.3 million a year ago on the back of higher contracts traded primarily on Crude Palm Oil Futures (FCPO) and FTSE Bursa Malaysia KLCI Futures (FKLI). Meanwhile, non-trading revenue decreased 14.5% to RM11.7 million in 2020 from RM13.7 million in 2019. Although market data contributions had risen 34.8% to RM11.4 million in 2020, the cancellation of our Palm and Lauric Edible Oils Conference and Exhibition (POC) in 2020 had offset this gain. In total, operating revenue for the segment rose 19.6% to RM102.8 million in 2020 (2019: RM86.0 million).

14.6 million in 2020 (2019: 10.7 million), representing a record high surpassing the previous record of 11.9 million contracts traded in 2017. Trading in the FKLI was similarly robust with 3.5 million contracts traded during the year as compared to 2.3 million contracts in 2019.

The Derivatives Market broke 18 trading records in 2020. The performance on the derivatives market was lauded by the Futures and Options World International Awards 2020, naming Bursa Malaysia Derivatives (BMD) the 'Exchange of the Year - Asia Pacific'. The award recognises the best in innovation, achievement and commitment to the industry.

In terms of trading numbers, the total average daily contracts (ADC) traded rose by 32.8% to 73,523 contracts from a year ago (2019: 55,372 contracts). Total FCPO contracts traded surged 36.5% to



### Segment Revenue

	2019 RM million	2020 RM million	% Change
Trading Revenue	72.3	91.1	26.0%
Market Data	8.4	11.4	34.8%
Member Services and Connectivity	0.3	0.1	-45.6%
Conference and Exhibition Related	5.0	0.2	-95.6%
<b>Total</b>	<b>86.0</b>	<b>102.8</b>	<b>19.6%</b>

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### Operating Environment

Labour shortages in the palm oil industry, reduced exports to China and India, persisting negative news on palm oil from the European Union as well as continued trade tensions between the US and China heaped pressure on the trade of the commodity, raising the overall volatility of the derivatives market. This in turn encouraged greater trading activities in the derivatives market as investors took advantage of market swings to protect existing positions or to capitalise on price movements.

The rally in FCPO trading in the 4Q2019 continued into 2020, posting a record high of 1.7 million contracts traded in March 2020, helping our Derivatives Market to record the highest total number of monthly trades. A total of 2.1 million derivatives contracts were traded in March, surpassing the previous record of 1.5 million contracts set in November 2019.

The price for FCPO rose to its highest in over eight years in November 2020 as a result of lacklustre CPO production and the depletion of CPO stockpiles. Optimism on economic recovery arising from the successful development of the COVID-19 vaccines

also boosted demand for FCPO. Meanwhile, high volatility in the securities market, which saw the FBMKLCI slump to an 11-year intraday low of 1,207.80 points on 19 March 2020 before sharply recovering to close out the year above the 1,600-point mark, also spurred higher trading of the FKLI.

In response to the MCO, we quickly pivoted to digital communications to conduct our engagement sessions while expanding our reach to a larger global audience. A total of 125 events were organised in 2020, attracting a total of 24,862 virtual attendees.

Although we enjoyed a successful year in 2020, our aspiration to become a leading commodities derivatives trading hub in Southeast Asia prevails. To that end, we continued to drive greater improvements in the ecosystem, developing new products and introducing enhancements into our market to heighten the attractiveness of our Derivatives Market. The initiatives implemented during the year are discussed below.

### Strengthening the Core

#### New Product Launches and Enhancements

We continued to expand our range of derivative products during the year to improve market liquidity, boost trading activity and expand our range of risk management tools. The following products were launched or enhanced in 2020:

##### USD RBD Palm Olein Options (OPOL)

The OPOL, a US Dollar-denominated options contract, was launched on 13 January 2020 covering the US Dollar-denominated Refined, Bleached and Deodorised (RBD) Palm Olein Futures (FPOL) contract. OPOL is the world's first options contract on RBD Palm Olein that allows investors to hedge their exposure to the commodity. The addition of OPOL into our stable of products adds to our range of risk management tools, offering an alternative product to investors who were previously unwilling to trade in the Ringgit-denominated Options on Crude Palm Oil Futures (OCPO) due to currency risk.

##### Single Stock Futures (SSF)

The SSF, an option with stocks as underlying assets, was re-launched in 2020 with enhancements to make it more attractive to investors. The number of underlying stocks covered by the SSF increased to 10 from seven previously. SSF represents another hedging tool that gives investors greater flexibility in managing their share exposure risk or as an investment asset to capitalise on share price movements.

##### 5-Year Malaysian Government Securities Futures Contract (FMG5)

The FMG5 was re-launched in September 2020 with a revised settlement methodology. Previously cash-settled, the contract is now settled via physical delivery thereby enhancing its role as a hedging instrument for MGS holdings. The revised FMG5 also functions as an efficient hedging instrument to help financial institutions manage their interest rate risks. It also provides new trading opportunities for other market participants and adds diversity to existing over-the-counter products. The enhancement of the delivery mechanism was made in line with the Malaysian Financial Markets Committee's development initiatives aimed at improving market accessibility and liquidity in the Malaysian financial market.

##### Revamped Mini FTSE Bursa Malaysia Mid 70 Index Futures (FM70)

The revamped FM70 was re-launched on 11 December 2020 with a lower entry cost so as to attract more retail investors into the derivatives market. The new FM70 features a revised tick size and contract multiplier aimed at improving cost efficiency and liquidity for market participants. The FM70 functions as a risk management and hedging tool for investors with exposure to the FBM Mid 70 index and component stocks.

#### Products Under Development

In addition to the above, we are currently working on revamping the Crude Palm Kernel Oil Futures (FPKO) contract to better meet market needs for an effective hedging instrument. The revamped contract is expected to be better aligned with practices in the physical Crude Palm Kernel Oil market. Approval-in-principle from the SC for the revamp was obtained on 9 December 2020.

## Management Discussion and Analysis

### Retail Focus

Interest in investing and trading grew significantly in 2020 with retail investors looking for higher returns in the current low interest rate environment. As the market had grown more volatile because of the COVID-19 pandemic, we took this opportunity to accelerate the delivery of our retail initiatives to raise awareness of the function of derivative products as risk hedging tools and investment assets among retail investors. We delivered a number of webinars and education programmes through our digital channels. Key initiatives delivered in 2020 include:

- Let's Learn Futures Webinar series
- Facebook Live series on Exchange Traded Derivatives
- Digital learning content on Bursa Academy
- Educational posts and videos on social media pages
- Derivatives trading statistics posted on social media pages (i.e. our monthly newsletter, palm oil industry and financial industry statistics)
- Partnership with information service websites such as the i3Investor to provide information about derivative products

These efforts were further supported by 14 webinars hosted under the Capital Market Education and Integrity Fund education initiative. Although the total number of events held during the year had decreased due to the cancellation of physical events, the number of participants on our online webinars had increased to 6,686 participants from 3,044 in 2019.

Meanwhile, our Retail Trading Incentive Programme (RTIP), which aims to increase the trading participation in the retail segment of the derivatives market, saw a total of 25 retail traders participate in the programme in 2020. RTIP complements our efforts to encourage experienced retail traders to increase their trading activities which would further enhance liquidity in the derivatives market.

### Institutional Focus

We continued to leverage on our global leadership in CPO, particularly the position of FCPO as the global benchmark for palm oil futures, to increase institutional participation in the derivatives market. As part of our ongoing market-building initiatives, we conducted strategic outreach programmes in 2020 with institutional players to obtain feedback on our marketplace and discuss new developments in the derivatives industry.

### Virtual Palm and Lauric Oils Price Outlook Conference (POC) 2020

Due to the MCO, we hosted our flagship event, POC, virtually. The Virtual POC 2020 was held over two days in October 2020 following the cancellation of our regular physical event scheduled for June 2020. The virtual POC attracted a total of 1,699 unique logins from international industry players making the event a success for Bursa Malaysia.

One of the main functions of POC is to bring industry players together in order to discuss developing issues, market trends and prospects for the prices of palm oil and other major edible oils. The conference is also the platform for the unveiling of new tools for business matching and networking as part of our larger efforts to build stronger relationships between various industry players. POC continued to be our main platform for communicating the use of our derivative products as risk management tools.

The event was given additional support by our strategic partner CME Group, special partner exchange Dalian Commodity Exchange (DCE), the Ministry of Plantations Industries and Commodities and various palm oil industry associations, as well as 14 sponsors, seven exhibitors, three partners from futures broking houses, investment banks, palm oil players, infrastructure providers and the media.

### Institutionalising Locals

One of our strategies to drive greater trading activity in our derivatives market is to encourage local professional traders to set up their own proprietary trading firms through the Associate Participant (AP) programme. By becoming an AP, traders can scale up their participation in the derivatives market and also recruit and train new traders. However, despite our efforts to convince locals to make the conversion, the take-up rate has remained relatively low. Out of the 23 APs in 2020 (2019: 21 APs), only one was established by a local participant. We will continue with our efforts to achieve greater conversions in the future.

### Enhancing Regional and Global Connectivity

Bursa Malaysia signed a Memorandum of Understanding (MoU) with the Taiwan Futures Exchange (TAIFEX) on 18 May 2020 with the intent of pursuing a mutually beneficial business partnership. The MOU enables the sharing of information and best practices in the areas of product development and market operations with TAIFEX. The collaboration is expected to contribute to the development of the Asian derivatives ecosystem, and ultimately create more opportunities between the two exchanges. There are also ongoing and continuous discussions with other exchanges including the DCE and Chicago Mercantile Exchange on potential joint-products and marketing collaborations.

Our regional and global connectivity strategy also comprises various promotional and marketing initiatives held in strategic locations around the world, particularly in China. The aim of these initiatives is to raise awareness of our derivatives market and attract greater foreign participation. Initiatives during the year include:

- **Inclusion of FKLI pricing on WenHua:** WenHua is one of China's most popular websites and mobile applications. Having FKLI pricing available on that platform is part of our strategy to penetrate China's market and increase the awareness and visibility of our products. At present, WenHua displays the prices for both FCPO and FKLI.
- **Live Trading Competition organised by China Futures Daily:** We listed FCPO for the live trading competition with the aim of raising our profile as well as the profile of the FCPO contract among Chinese brokerage firms and traders. This exercise also effectively provides a platform for traders to experience trading in the Malaysian derivatives market as well as to channel new traders to set up their connectivity to our market.
- **Market Data Incentive Scheme:** This scheme aims to encourage the trading of our products by waiving the market data fees for brokerage firms. It is targeted at foreign markets such as Greater China and Singapore to further diversify the demography of our trading participants and gain wider international reach.

## Management Discussion and Analysis

### BUSINESS ANALYTICS AND INFORMATION SERVICES

Business Analytics and Information Services (BAIS) embarked on an aggressive plan to grow its business and has managed to achieve several key partnerships to expand its product offerings and grow demand for market information products. The strategic partnerships have enabled us to on-board new market data users such as large asset management companies and high-frequency traders, and grow new development channels.

Growing demand for market data has made BAIS an increasingly important contributor to our business. Subscription and licence fees for data and index services increased Market Data revenue by 24.8% in 2020 to RM48.1 million (2019: RM38.6 million). The improvement in BAIS revenue was supported by healthy contribution from our partners including FTSE and BursaStation, which had seen greater investor interest owing to the high level of trading activity during the year. In the segmental report, revenue for Market Data is recorded under both the Securities and Derivatives Markets depending on the type of data.

#### Operating Environment

The growing interconnectivity of financial markets globally as well as the rise of new investing methodologies driven by the advent of Big Data has accelerated the demand for enhanced, up-to-date and accurate market data. Investing trends such as passive investing, algorithmic trading and robo-advisory make use of data analytics in new ways to extract value from the market, but rely on quick, accurate and reliable market data as key inputs.

Bursa Malaysia has, over the past few years, placed greater emphasis on the development of our own market data offerings as part of our overall strategy to increase our non-trading revenue and to better serve the needs of our participants. Enhancing our capabilities in data mining and analytics are also critical for us to grow into a more mature capital market. Our aim is to build our capabilities to be able to offer advanced analytics and insights to a broader class of stakeholders in the ecosystem, promote greater market transparency and facilitate better informed investment decisions.

#### Strengthening the Core

##### Improving our Ecosystem

The information and data analytics ecosystem is highly dynamic with changes driven by the rapid pace of innovation in technology. Our priority is to leverage on the latest technology to ensure that we operate at peak efficiency and reliability in creating value for our stakeholders. In addition, we are confident that our data and visualisation models can be commercialised to further support the growth of our non-trading revenue.

In 2020, we accomplished several strategic building blocks towards growing the Market Data business beyond the traditional sense. We have expanded distribution channels to reach new customer classes, and acquired adjacent datasets which will enable Bursa Malaysia to serve more participants in the ecosystem, such as small and medium enterprises and commercial banks.

##### Capitalising on Technology and Information

The activities of BAIS are inextricably linked to the use of technology and information to create value in the form of operational efficiencies, analytical data and new products and services. To that end, BAIS is

constantly exploring the latest technological offerings that may be integrated into Bursa Malaysia. Some of our key initiatives are as follows:

##### DIBots Data Platform

In expanding our digital offerings to our stakeholders, we launched a strategic collaboration with WorldVest Base Inc offering value-added data solutions on a new subscription-based data platform called DIBots. DIBots runs on Global Intelligence Database, which sources data and information from the public domain and offers data and analysis in multiple areas including:

- Reference and fundamental data of PLCs across the globe
- Financial data from private companies in India, Malaysia, Thailand and Vietnam as well as non-financial data from private companies in 11 other countries
- Financial strength indicators
- Detailed company ownership structures and connectivity
- Information on people, including advisors, auditors, board members and directors
- Sanctions Watchlist
- Politically Exposed Persons
- Original Filing documents

## Management Discussion and Analysis

The offering is aimed at addressing the fragmented data landscape by providing a one-stop cross function data solution, incorporating data sets not commonly available in the market to serve the various needs of our capital market stakeholders. Through DIBots, Participating Organisations (POs), research institutions and institutional investors gain a bird's eye view over a company's investors demography, and up-to-date share performance and fund movements against current market conditions. The offering also helps to explain the company's valuation position through in-depth peer analysis, by benchmarking a company's stock and financial performance against other similar public listed and private companies in the region.

##### Cloud-based Analytics Dashboard Proof-of-Concept (PoC)

In 2020, we embarked on a cloud-based Analytics Dashboard PoC to develop a small-scale database and end-to-end automated data integration pipeline utilising an international best-in-class cloud-based service model. Users can access the data through an interactive dashboard from the cloud for visualisation purposes as well as perform multi-dimensional analysis across various timeframes. This new initiative is intended to eventually replace existing periodic Excel or PDF-based reports.

One of the main objectives of the PoC is to help nurture a data-driven culture within the organisation by making self-service analytic capabilities available to our employees.

Development of automated periodic reports for the various business units within Bursa Malaysia is already well underway, with enhancements drawn from insights accumulated through working on other aspects of our market information ecosystem. These reports facilitate informed decision-making as they ensure the availability of accurate and relevant data on a more timely basis.

The datasets and analytics know-how acquired during the PoC have been commercialised through the DIBots platform, which is available to POs and PLCs.

#### Making Sustainability a Way of Life

##### Promoting Sustainable Finance

Since the inception of the FTSE4Good Bursa Malaysia Index (F4GBM Index), we have continuously conducted outreach programmes for PLCs designed to give them a better understanding and clarity on how the Environmental, Social and Governance (ESG) assessment is undertaken and the criteria for inclusion into the index. In 2020, we held two ESG webinars, which were attended by more than 200 participants, and we also conducted a series of one-on-one engagements with companies.

This in turn laid the ground work to introduce a new variation of ESG index to complement the existing F4GBM Index, such as a Green Index which would provide investors with another perspective, namely companies with exposure to green revenues. Our aim is to capitalise on observed global trends, of which climate change has become an important topic.

With sustainable investment recognised as an increasingly important driver in investment decision making, the Exchange is collaborating with our local stakeholders to facilitate the availability of quality ESG data to the market. This initiative will form one of the essential building blocks in unlocking potential new sustainability products and services helmed by BAIS.

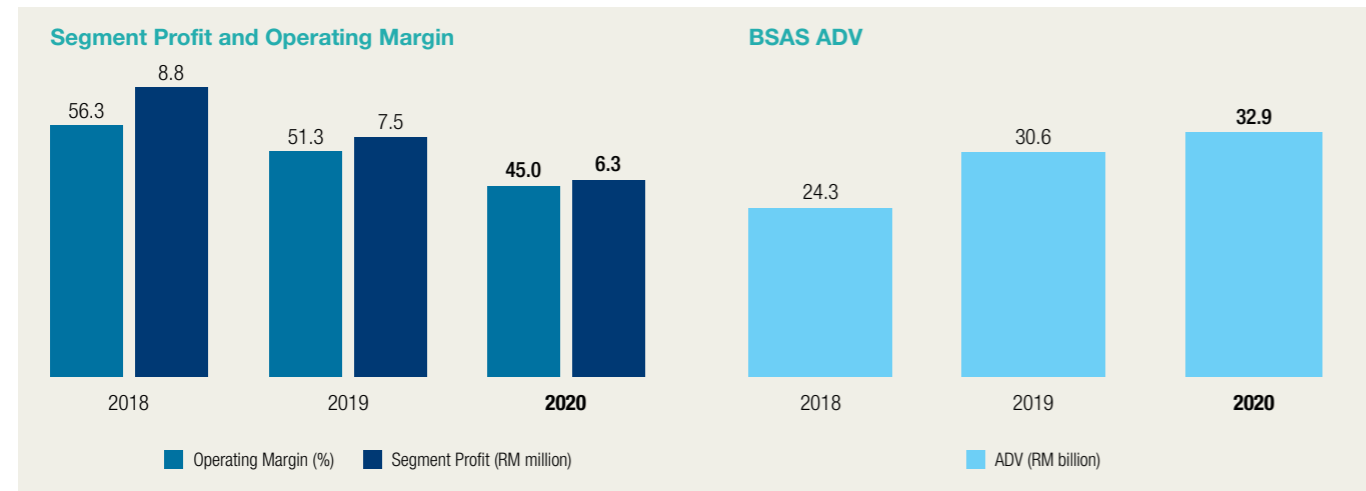
Management Discussion and Analysis

ISLAMIC MARKETS

Bursa Malaysia aims to become the leading global exchange for Islamic capital market products and remain an integral component of Malaysia's comprehensive Islamic finance ecosystem.

Islamic capital market products are tailored to the growing demand for sustainable and responsible investment assets, as well as for investors with principles-based investment mandates. Our Islamic Markets offerings comprise Shariah-compliant securities, as well as two Shariah-compliant platforms, namely the Bursa Suq Al-Sila' (BSAS) commodity Murabahah trading platform and the Bursa Malaysia-i securities exchange platform. All revenue generated from the trading of Shariah-compliant securities is reported under the Securities Market. For the purposes of segmental reporting, revenue generated by BSAS is reported here together with other non-trading revenue contributions.<sup>1</sup>

Trading interest on BSAS increased during the year with ADV growing 7.8% in 2020 to reach RM32.9 billion from RM30.6 billion a year ago. However, trading revenue from BSAS contracted 6.5% to RM13.1 million (2019: RM14.0 million) due to lower total effective fees as a higher number of trades were conducted under the volume-based pricing scheme. Profit contribution declined 16.8% to RM6.3 million (2019: RM7.5 million).



Segment Revenue

	2019 RM million	2020 RM million	% Change
Trading Revenue	14.0	13.1	-6.5%
Other Operating Revenue	0.4	0.6	43.2%
<b>Total</b>	<b>14.4</b>	<b>13.7</b>	<b>-4.9%</b>

Operating Environment

BSAS was affected by the COVID-19 pandemic in two distinct ways. On the domestic front, the MCO had seen reduced demand for financing, resulting in lower Islamic financing transactions and therefore lower BSAS transactions. This is reflected in the lower local ADV in 2020 as compared against 2019. Additionally, Malaysian financial institutions had also anticipated that the benchmark interest rate would fall during the year and shifted their funds to shorter terms which attract a lower fee on BSAS.

Meanwhile, increased foreign participation on BSAS, especially from the UAE and new participants from Saudi Arabia, more than made up for the decline in local ADV and boosted total BSAS ADV. We saw increased trade flows from the UAE due to the increase in liquidity from the economic and financial stimulus packages implemented in the Emirates. As for the participants from Saudi Arabia, we saw new entrants using BSAS to facilitate sukuk issuances which also contributed positively to the overall BSAS ADV.

<sup>1</sup> This includes bond-related non-trading revenue as well as contributions from the Labuan Financial Exchange.

Management Discussion and Analysis

Strengthening the Core

Bursa Suq Al-Sila' (BSAS)

BSAS is a commodity Murabahah trading platform designed to facilitate Islamic finance transactions and liquidity management for Islamic financial institutions. BSAS provides industry players with a regulated environment to support various transactions including:

- Islamic interbank transactions,
- Shariah-compliant financing and deposit-taking activities,
- sukuk issuances,
- profit rate swap and cross currency swap,
- trading of debt instruments via Bai' Al-Dayn Bi Al-Sila',
- Shariah-compliant factoring transactions, and
- Ar-Rahnu transactions through Tawarruq contracts.

As at end of 2020, BSAS had 264 registered participants (2019: 222) comprising 231 Commodity Trading Participants (CTP) (177 Local and 54 foreign), 28 Commodity Supplying Participants (CSP) (26 local and 2 foreign) and five Commodity Executing Participants (CEP). In 2020, BSAS admitted 43 new CTPs made up of 36 local and seven foreign participants from South Africa, Djibouti, Palestine, Pakistan, Jordan, United Arab Emirates and the Maldives. At present, BSAS is directly accessed by and facilitates trades from over 20 countries globally.

In line with the needs of our participants from new countries, new currencies were added onto BSAS in 2020, including:

- the Djiboutian Franc,
- the Botswana Pula,
- the Malawian Kwacha,
- the Pakistani Rupee, and
- the Maldivian Rufiyaa.

As at the end of the year, BSAS facilitates trading in over 40 currencies and six commodities.

Meanwhile, we completed a total of seven system integration initiatives with our participants using our Straight-Through-Processing functionality. This integration enables seamless and real time trading activities and eliminates the duplication of data entry thus improving the overall efficiency and effectiveness of the trading processes.

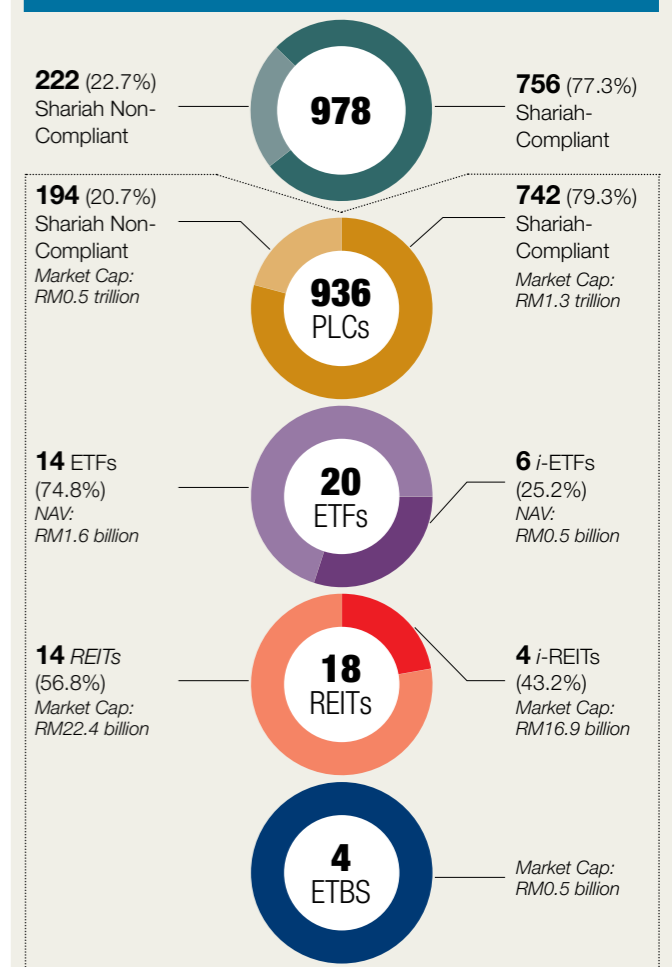
Bursa Malaysia-i

Bursa Malaysia-i is an end-to-end Shariah-compliant securities exchange platform with a comprehensive range of exchange-related facilities including listing, trading, clearing, settlement and depository services. Through Bursa Malaysia-i, Shariah-seeking investors can choose to invest in Shariah-compliant securities quoted on the Exchange and access the Bursa Malaysia-i platform through the interfaces of 16 brokers with Islamic stockbroking services. Bursa Malaysia-i also offers access to a wide range of Shariah-compliant securities including i-Stocks, i-ETFs, i-REITs and Exchange-Traded Bonds and Sukuk (ETBS).

As at 31 December 2020, 756 or 77.3% of the 978 securities listed on Bursa Malaysia with a total market capitalisation of RM1.3 trillion are Shariah-compliant and eligible for trade over Bursa Malaysia-i.

- i-Stocks: 742
- i-ETFs: 6
- i-REITs: 4
- ETBS: 4

TOTAL SHARIAH-COMPLIANT SECURITIES





## Management Discussion and Analysis



### 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).

As at 31 December 2020, the ADV of Shariah-compliant securities traded on the Exchange totalled RM3.2 billion, which is 76.9% of the overall ADV of RM4.2 billion.

### Institutional Focus

#### Shariah Investing Virtual Conference 2020 (SIVC 2020)

We organised our inaugural SIVC 2020 in June 2020 in partnership with CGS-CIMB Securities Sdn Bhd to showcase the value proposition of Shariah investing to institutional investors. Themed 'Shariah Investing and Socially Responsible Investing: Meeting at the Midway', SIVC 2020 aimed to bridge the gaps between Shariah investing and socially responsible investing on the basis that the two investing methods shared similar values.

Our aim in highlighting the similarities between the two investment philosophies is to further grow our institutional investor base by showing them that investors are taking long-term views and choosing responsible investments. More than 1,300 attendees participated in SIVC 2020, of which 10% of the total were foreign participants from the United States, Africa, the Middle East-North Africa region, Europe and Asia.

#### Shariah Investing Dialogue Series 2020 (SID 2020)

We held our SID 2020 in October and November 2020 in partnership with the Association of Shariah Advisors in Islamic Finance. The objective of the dialogues was to create a forum for the leading Shariah scholars to share their thoughts on the role that the Islamic capital market and Shariah investing plays in the Islamic finance ecosystem, as well as the role of the Shariah fraternity in accelerating the growth of the Islamic capital market. We held two virtual sessions of the Series in 2020:

- Series 1 — 'Investment in the Future: Shariah Fraternity's Role in ICM'  
The series, held on 21 October 2020, garnered the interest of over 1,800 people of which 63.0% were foreign participants, highlighted the potential of Malaysia's Islamic capital market and the important role of the Shariah fraternity in championing the Islamic capital market and Shariah investing, as well as emphasise the way that end-to-end Shariah investing adds value to investors.
- Series 2 — 'Shariah Fraternity: Setting the Pace of Innovative Thinking'  
The second in the series took place on 17 November 2020 and saw the participation of over 2,900 participants of which 67.0% were foreign participants. The second series was focused on the role of the Shariah fraternity in the development of new innovations in the Islamic capital market space.

### Retail Focus

Retail investors continue to be a key target group for our outreach programmes as Shariah-compliant securities tend to yield greater long-term value and are comparatively less volatile compared to non-Shariah-compliant assets. As a result of the continuous engagement efforts of our outreach team, retail investors contributed 50% of total Shariah ADV on the Bursa Malaysia-i platform during the year under review. We view this development as a significant step forward in terms of securing the sustainability of our Shariah marketplace and also the greater awareness among our investing public of the importance of Shariah-compliant assets in any financial portfolio.

## Management Discussion and Analysis

Through our Shariah Investing (SI) Programme Series, we have conducted more than 200 retail engagements with over 200,000 retail investors in 2020 in a bid to raise the overall level of investor education. These sessions were held in collaboration with industry partners including Islamic POs and training providers. Due to the COVID-19 pandemic, most of the SI programmes were conducted virtually. The breakdown of our outreach sessions are as follows:

- Shariah Investing Seminar (SIS) – 29 sessions
- Shariah Investing Workshop (SIW) – 99 sessions
- Shariah Investing Roadshow (SIR) – 2 sessions
- Shariah Investing Education (SIE) – 60 sessions
- Other Engagement – 11 sessions

In addition, we have been working closely with BursaMKTPLC Social Influencers, licensed dealer representatives, remisiers and certified financial planners to drive Shariah investing whilst attracting and increasing the Bumiputera market segment to boost participation in the Islamic capital market. As a result of these efforts, we saw 66,086 new Shariah trading accounts opened during the year (2019: 26,837).

### 'Meet the Customers' Day (BMi2U)

We introduced BMi2U last year to enhance the relationship between the Exchange and Shariah retail investors. BMi2U was held on the last Friday of each month and functioned as an avenue for engagement with retail investors. BMi2U was temporarily suspended in March 2020 due to the imposition of the MCO and resumed after the order was lifted in June 2020.

### Social Media Engagement

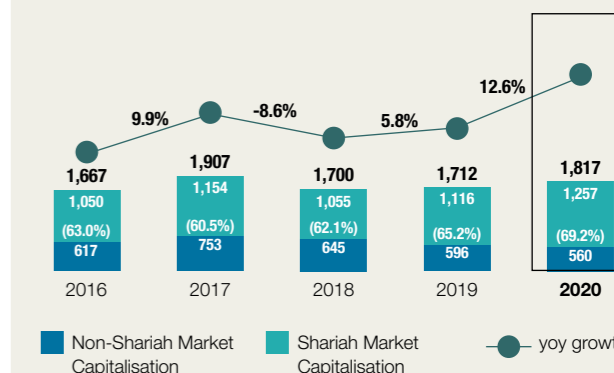
Social media has become an increasingly important outreach tool for us because of its reach and popularity among the Malaysian public. We have been actively leveraging on social media, specifically on Facebook, Twitter, Instagram and Telegram, to raise awareness about the merits of Shariah investing and to provide updates about developments of Bursa Malaysia's Shariah equity market and events. As at end December 2020, we gained over 21,000 followers on Twitter, 26,210 followers on Facebook, 3,229 followers on Instagram, and 639 subscribers on Telegram following developments on our Bursa Malaysia-i platform.

Our social media engagements include the following:

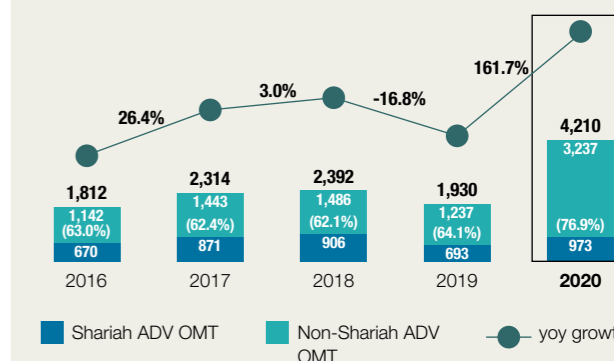
**Labur 101:** We introduced Labur 101 in August 2020 on Twitter to provide basic education of the Malaysian stock market and Shariah investing, as well as to engage with our Twitter followers. The Labur 101 segment conducts its outreach in a simple and informal manner on a monthly basis and uses the Malay language as a medium of communication. Information is extracted from the Bursa Malaysia website, BursaMKTPLC and Bursa Academy together with examples that are relevant and in line with Shariah investing. We also provide references to other websites where the retail public can obtain more information.

**Social Media Takeover:** We started hosting a Social Media Takeover event in January 2020 where social media influencers are invited to 'take over' our Twitter account and discuss different Shariah investing-related topics each month. The aim of the event is to increase awareness of the importance and benefits of Shariah investing among the general Malaysian public, particularly targeting millennials. As at 31 December 2020, the initiative had attracted more than 4,000 new followers within the 24-hour period when the sessions took place, and attracted an average of 8,701 impressions per tweet. A total of 554 tweets were curated while 89.0% of respondents polled reported having enjoyed the sessions.

### SHARIAH MARKET CAPITALISATION (RM billion)



### SHARIAH AVERAGE DAILY TRADING VALUE (RM million)



## Management Discussion and Analysis

## TOWARDS OPERATIONAL EXCELLENCE

The adoption of technology and the leveraging of our employees' talents are key in enabling us to realise our strategic vision. With the fast-changing financial market landscape, we continue to invest in technology and operational infrastructure to meet our stakeholders' needs and expectations.

## Leveraging on Technology

We keep abreast of the latest developments in technology, with particular emphasis on fintech and advancements in stock exchange technology. The pace of development in this field has accelerated exponentially over the last few years, opening up a completely new competitive landscape that is rife with both competitive risks and opportunities for Bursa Malaysia. On the one hand, technological innovation is a key enabler that is necessary for taking us to the next level; on the other hand, it poses new challenges in the form of new competitors as well as new capabilities that must be integrated into our systems.

**i** For more information about the strategic risk posed by new technological innovations, please turn to pages 50 to 56 of this report.

## Key achievements during the year include:

## ISO 20022 Messaging Standards for Corporate Announcements

We encouraged our market participants to adopt ISO 20022 messaging standards which will help them benefit from Straight-Through Processing. By adopting this standard, market participants will receive the listed issuer's corporate announcement (CA) in the following format:

- i. Actionable CA in ISO 20022 messaging standards; and
- ii. Non-actionable CA in XML messaging standards.

In using this standard, information from listed issuers can flow directly to our market participants' target system, which will effectively enhance efficiency and accelerate the processing of data from corporate announcements.

## Enterprise Data Management (EDM)

We aim to elevate Bursa Malaysia's data management maturity level to enhance the quality of data available to our decision-makers. Under this initiative, we have:

- Adopted an EDM framework in accordance with international best practices from the Data Management Body of Knowledge, Capability Maturity Model Integration and ISO 8000.
- Established a Central Data Governance structure to institute data governance policies.
- Established a central reference point for all common business terms used in Bursa Malaysia for reporting purposes to ensure consistency in the usage of the business terminology across the Exchange.
- Classified data sensitivity in accordance with Bursa Malaysia's Information Management Policy, i.e. Secret, Confidential, Restricted or Public.

The EDM initiative is crucial in transforming Bursa Malaysia into a data-driven organisation.

## Management Discussion and Analysis

## Key achievements during the year include:

## Equity Post-Trade Technology Refresh

We completed the technology refresh for the Exchange's equity post-trade system to secure greater availability, better security, and better performance in the operations of our securities clearing house and central depository. Core applications affected during this refresh include our:

- i. Central Depository System;
- ii. Equity Clearing and Settlement System;
- iii. Central Matching Facility;
- iv. Securities Borrowing and Lending System; and
- v. Equities Margining System.

## Derivatives Clearing and Settlement (DCS) System Enhancement Catering for FMG5 Revised Settlement Method

In line with the re-launch of the FMG5 contract with a revised settlement methodology, we enhanced our DCS system to cater to the contract's new parameters, i.e. from cash to physical delivery versus payment (DVP) model. The DVP model refers to the exchange of securities and funds between the seller and the buyer in real-time that is facilitated through the Real-Time Electronic Transfer of Funds and Securities System (RENTAS).

## Cyber Security

A vast amount of data and information is handled by the Exchange daily, including a substantial amount of private and sensitive information related to our stakeholders and their trading practices. Any breach in our cybersecurity and technology infrastructure could result in the data falling into unauthorised hands, which in turn has significant security and liability ramifications for Bursa Malaysia. Additionally, any compromise of our network may also affect the reliability and functioning of the Exchange, and jeopardise our reputation as a market operator.

Bursa Malaysia's key Cyber Security Standards and Guidelines is in line with international frameworks and principles in managing current and emerging cyber threats.

This is supported by continuing improvements that are introduced regularly to defend against threats as they arise and to further mitigate the possibility of cyber breaches.

In December 2020, Bursa Malaysia was certified with Information Security Management System (ISMS) ISO 27001 for all critical services.

Further, we continue to advocate the need for a collective effort on the part of our key stakeholders to build a safe, strong, and cyber-resilient capital market, and have conducted awareness programmes to this end.



## Management Discussion and Analysis

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

The Exchange continues to invest substantial resources in developing its human capital towards becoming a HPO. This is in recognition of the critical role that our talent plays in our value creation activities on a day-to-day basis. Our People and Culture strategy is aimed at improving business processes in order to enhance efficiency and promote innovation aimed at supporting organisational transformation. It entails five objectives:

1

#### Building Leadership Bench Strength

Bursa Malaysia is focused on building leadership bench strength at the senior- and middle-management levels. A leadership pipeline with comprehensive succession management strategies and plans have been constructed to ensure that trained and experienced talent are ready to fill mission-critical roles in the Exchange. The Talent Council, comprising key members of the management team, is responsible for reviewing the succession management approach, strategies, as well as the implementation of initiatives. The Council also makes recommendations to the Board regarding talent issues.

Successors identified for mission critical roles are enrolled in a 12-month Accelerated Leadership Development Programme which adopts a blended and modular learning approach comprising formal training, 360-degree assessments, group coaching, discussion chats and virtual leadership sharing by renowned leaders. Areas covered by the programme are Team Leadership, Strategic Thinking and Decision Making, Leadership Influence and Enterprise Leadership as well as Internal Communication.

2

#### Capability Development

Targeted individual development plans (IDPs) have been identified for all employees. Together with Division Heads, the Group Human Resources (HR) drives the completion of IDPs through various developmental methods including on-the-job, social and formal learnings. Our Capability Development initiatives focus on narrowing the competency gaps of our employees while developing new competencies. Key training programmes conducted include:

- o IR4.0 Skill Training – Stakeholder Management, Critical Thinking and Problem Solving, and Creative Problem Solving
- o Business Tools – Effective PowerPoint Presentations, Power Query by MS Excel
- o Personal Effectiveness – Presentation Skills, Effective Business Communication, Team Effectiveness

3

#### Rewards Enhancement

Following the benchmarking on HR Policies and Procedures by AON Hewitt in 2019, a number of Bursa Malaysia's HR policies were revised and updated in 2020. New policies were introduced including Flexible Working Hours whereby employees now have the flexibility to choose their mandated eight hours between the 8:00 am to 7:00 pm work window. They have also been accorded greater flexibility in terms of their dress code.

4

#### Productivity Enhancement

HR participated in the Bursa Malaysia Digitalisation and Automation Programme in which five processes have been automated and manual forms digitised. The areas that were impacted by this programme are manpower requisitions, interview assessments, training applications, trainee requisitions and Code of Ethics declarations.

5

#### Culture Transformation

We aim to inculcate a data-driven, high-performance culture that is sustainable and growth-focused. To that end, we have mapped these values to the existing behavioural competencies through an initiative called Bursa Culture Change (BCC) that determines the current levels of Bursa Malaysia's population behaviour against our expressed values. Our objective is to drive culture alignment to achieve the desired behavioural change. It also aims to achieve sustainable results, continuous improvement and take results to action through effective action planning. Following the delivery of our BCC initiatives in 2020, we noted an improvement of 39% in terms of alignment.

## Management Discussion and Analysis

### OUTLOOK

The World Bank noted in its January 2021 Global Economic Prospects that it expected the global economy to expand by 4% in 2021, recovering from a 4.3% contraction in 2020 caused mainly by the global outbreak of the COVID-19 pandemic.

However, the World Bank added the proviso that this projection hinges on the scale and effectiveness of the vaccine rollout, as well as the measures taken by policy makers to contain the pandemic and implement investment-enhancing reforms. Its outlook for the near-term also remained uncertain with different growth outcomes still possible. It also projected that Malaysia's economy would grow 6.7% in 2021, subject to the robustness of the global recovery.

Meanwhile, Bank Negara Malaysia (BNM) has forecasted that the country would grow between 6.5% and 7.5% after contracting by 5.6% in 2020. However, the central bank also acknowledged that its outlook remained subject to downside risks as a resurgence of COVID-19 cases could lead to the reintroduction of containment measures, which would again disrupt economic activities. Points of concern include lacklustre demand and the unemployment rate which ended the year at 4.8%. BNM is expected to issue its revised growth projection for the year in March 2021.

#### Our Strategic Plans Moving Forward

We completed the final year of our last strategic development plan in 2020 and will embark on a new three-year plan beginning in 2021. We recognise there are uncertainties ahead in both the global and domestic markets but we nevertheless remain focused on our objective of strengthening our organisation and market ecosystem. Our aim is to build sustainable momentum by driving the sustainability agenda and delivering equitable growth for all our stakeholders. This is reflected in our refined vision of becoming ASEAN's leading, sustainable and globally-connected marketplace.

Our new Strategic Roadmap is future-focused and contains plans aimed at improving productivity, enhancing our markets and widening our product and service offerings. The Strategic Roadmap also details the way forward for our sustainability agenda as well as our cybersecurity development plan. At the same time, we will also be further expanding our collaborative ties with peer exchanges around the world in order to develop greater capabilities in our niche areas of specialisation.