



BURSA MALAYSIA

Bursa Malaysia: Pioneering and Inclusive

Malaysia, strategically located in Southeast Asia and one of the regions' most vibrant economies, is seen as a gateway to ASEAN. The country's economic progress is the fruit of decades of growth-focused policies, political stability and a melting pot of cultural and economic diversity. Few countries have access to the natural advantages Malaysia enjoys, with strength in diversity coming from multiple sources of growth, blooming from the fields of agriculture, commodities, manufacturing, construction, services and finance.

Nestled on Exchange Square in the heart of Kuala Lumpur's financial district, sits Bursa Malaysia, the country's only fully integrated exchange offering a comprehensive range of products and services. Established in 1973, Bursa Malaysia plays a prominent role and functions as a vehicle for unlocking the growth potential of the Malaysian economy.

Solid economic fundamentals, progressive transformation plans and a robust capital market framework have provided a conducive backdrop for the exchange to sow the seeds of growth through continuous product innovations and diversity in investment offerings. The companies on Bursa Malaysia have successfully financed national economic development by providing market-based solutions with over MYR 1 trillion being raised through corporate bonds and IPOs since 2000.

Having grown from strength to strength over the decades, the exchange increasingly provides a plethora of invest-

ment choices, making it an inclusive marketplace, while being pioneering in many ways. This resonates with the exchange's clarion call that there is "Something for everyone on Bursa Malaysia."

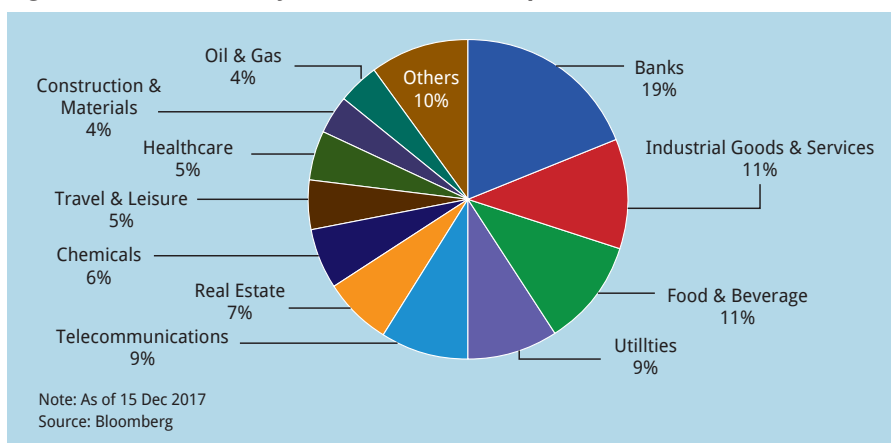
Attractive Securities Market Offerings

At Bursa Malaysia, we are proud to be an exchange that serves companies of all

sizes. Home to more than 900 companies across 60 economic activities, Bursa Malaysia is the largest bourse in ASEAN in terms of number of companies (Figure 1).

Comprising the Main Market for large-cap established companies, the ACE Market for emerging companies of all sizes, and the Leading Entrepreneur Accelerator Platform (LEAP) Market, designed for small and medium-sized enterprises (SMEs), including start-ups, Bursa Malaysia offers a strong platform for capital-raising and investment, providing greater exposure and diversification. These combined factors strongly establish Bursa Malaysia as one of the preferred exchanges in the region among domestic and international investors.

Figure 1: Sector Diversity of Public Listed Companies (PLCs)



Gateway to ASEAN

Bursa Malaysia offers a diverse range of high quality companies with strong financial performance. As a listing destination, the exchange is committed to ensuring high quality securities are traded, and upholding Bursa Malaysia's reputation as a well-established destination for investors looking for growth opportunities. In 2017, the companies listed on Bursa Malaysia delivered solid dividend yields of 3.9 percent, among the highest in ASEAN.

A number of leading companies in diverse industries with operations across the globe have chosen to raise funds on Bursa Malaysia, reflecting their confidence in the exchange as a destination for listing in ASEAN. Constituents of the benchmark FTSE Bursa Malaysia KLCI (FBMKLCI), comprising the thirty largest companies by market capitalisation on the exchange, include Astro, Axiata, Genting, IHH Healthcare, PETRONAS Chemicals Group, and YTL Corporation, which rise from different sectors. Bursa Malaysia has also attracted the listing of companies that are world class in their respective industries such as Top Glove (the world's biggest glove manufacturer), Hartalega (the world's largest manufacturer of nitrile gloves), Sime Darby Plantation (the world's largest oil palm planter by land area as well as the world's largest producer of segregated certified sustainable and traceable palm oil products and derivatives), and Karex (the world's largest condom maker).

The beauty of investing in blue chip companies listed on the exchange is that many are, in fact, regional companies. The companies on FBMKLCI generate roughly 37 percent of their revenue from overseas operation. Widely known companies on Bursa Malaysia such as AirAsia, CIMB

Group, and Maybank very clearly have footprint and operations in most ASEAN nations. Being at the epicenter of ASEAN location-wise, Malaysian companies are poised and primed to harness and ride on the strong wave of growth in the region. Investors who want instantaneous ASEAN exposure of investments can also invest in cross-market offerings like the CIMB FTSE ASEAN 40 Malaysia listed on Bursa Malaysia, which tracks the largest 40 companies by full market value that are listed in five ASEAN nations.

Gems not just in blue chips

Investors eyeing growth, however, should not confine themselves only to the large stocks. The exchange also offers treasures in the mid- and small cap segment (Figure 2). Demonstrating our belief in this potentially high growth market segment, the exchange introduced the Mid and Small Cap Research Scheme (Bursa MidS) in 2017, to elevate the profile of mid- and small cap companies that have been generally under researched, to further spur the vibrancy of the segment by way of increasing interest in their trading. In its first phase, 100 listed securities were identified to receive analyst coverage from 20 research houses, with the number of listed companies under the research scheme to grow further. To help market participants track performance of this segment, the exchange also introduced two indices – the FTSE Bursa Malaysia MidS Cap Index and FTSE Bursa Malaysia MidS Cap Shariah Index, which have demonstrated growth.

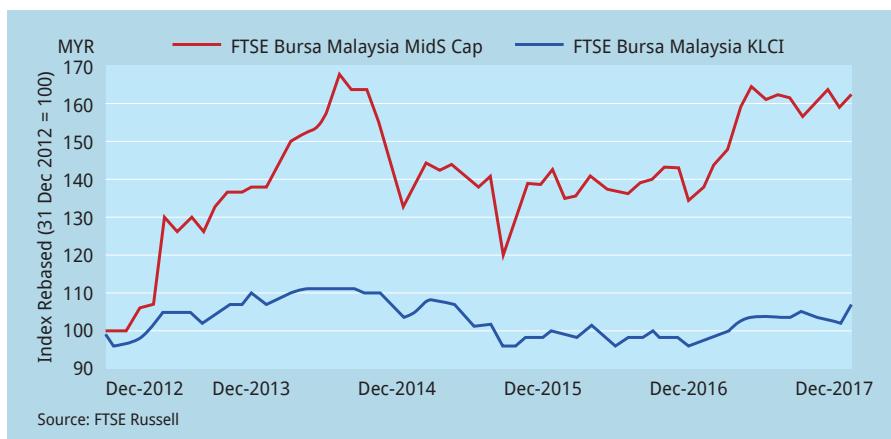
Besides industry giants and established companies, Bursa Malaysia also offers investment opportunities in up-and-coming, high growth companies at the smaller end of the scale. Acknowledging the growing importance of SMEs in

the new economy, the exchange launched the ground-breaking LEAP Market in July 2017 as a platform to nurture high growth, innovative companies and support the development of the SME segment. This listing platform, the first of its kind in ASEAN, was designed to provide SMEs an alternative and efficient fund-raising platform through the capital market by bringing together all the relevant players onto one platform and to create a conducive environment to raise funds in an efficient, fast and transparent marketplace.

For SMEs, the LEAP market can serve to enhance their visibility and profile by being listed entities. The LEAP market can also function as an incubator, potentially facilitating the companies' listings on the ACE or Main Markets in the future. For sophisticated investors (high net-worth entities or individuals), the LEAP market provides a platform to participate in high growth companies which can potentially be the next 'Big' thing while offering the comfort of investing in a transparent and orderly market, regulated on a "light touch" basis, but balanced by prudential standards.

Although all SMEs in various sectors can qualify for the LEAP market, coincidentally, the first two listings in its initial four months were technology companies, signifying a strong interest amongst and for innovative SMEs in this new market. The early issuers on the LEAP market have demonstrated that Bursa Malaysia can attract high growth potential and innovative technology companies to list, including those with headquarters outside of Malaysia.

Figure 2: FTSE Bursa Malaysia MidS Cap Index Performance



Sustainability and Corporate Governance

Bursa Malaysia is a strong advocate of sustainability and has for more than a decade put in place building blocks to create a more sustainable marketplace. The exchange has taken deliberate steps to develop a sustainability-themed index and through the Bursa Malaysia Sustainability Framework, we aim for listed issuers to not only practise corporate sustainability disclosures but also realise the positive impact sustainability practices can have

on their businesses. In fact, Malaysia was the first emerging market to launch the globally benchmarked FTSE4Good Bursa Malaysia Index in December 2014, designed to measure the performance of companies demonstrating good environmental, social and governance (ESG) practices. There has been strong growth in the number of FTSE4Good Bursa Malaysia Index constituents (from 24 in December 2014 to 44 as at December 2017).

The exchange continually conducts engagement programmes with PLCs and their boards, as part of efforts to proactively foster a marketplace of sustainable and high performing companies with strong corporate governance. We envision that sustainability will be part and parcel of business strategy for our quality companies.

The quality of listed companies and investor confidence built through strong corporate governance have been key drivers of the health and vitality of the marketplace. Sustainability is an important long term strategic agenda as it will ensure competitiveness of our companies.

Recognised as The Leading Exchange in Islamic Capital Market

Introducing platforms and services that are global 'firsts' or novel in the Islamic capital market sphere is something that is synonymous with, and not new to Bursa Malaysia. On the Islamic capital market front, Bursa Malaysia has continuously delivered a comprehensive suite of products and innovative services. First, in 2009, Bursa Suq Al-Sila', a commodity Murabahah trading platform created to facilitate commodity-based Islamic financing and investment transactions, was introduced. Then, in September 2016, the world's first end-to-end Shariah investing platform, Bursa Malaysia-i, was launched. It enables a truly holistic and complete approach in Shariah investment, and is poised to attract a growing Shariah liquidity pool – both foreign and domestic issuers. These platforms have been internationally lauded as innovations in facilitating Shariah-compliant commodity trading and securities invest-

ing, respectively. The foresight in providing innovative market-based financing solutions has enabled Bursa Malaysia to consecutively earn global recognitions as the best and most innovative exchange in the area of Shariah investment.

As another case in point of our pioneering track record, more recently, in December 2017, Bursa Malaysia launched the Islamic Securities Selling and Buying Negotiated Transaction (ISSBNT) framework - the world's first Shariah-compliant alternative to Securities Borrowing and Lending. The size of Islamic fund management assets is massive, both globally and in Malaysia. ISSBNT was developed to enable hedging and risk management activities by institutional capital market participants who manage sizeable Islamic funds. This innovative provision is yet another step in Bursa Malaysia's intention to be an indisputable global leader as a fully integrated Islamic investing marketplace offering a complete set of Islamic financial market instruments and trading alternatives.

As an integrated exchange, Bursa Malaysia offers a good breadth of quality securities (Figure 3). Seventy-six percent of the 903 companies listed on the exchange are Shariah compliant. The exchange offers investors a wide choice of Shariah investment products such as *i*-ETFs, *i*-REITs and Exchange Traded Bonds and Sukuk. As at end 2017, 56 percent of the exchange traded funds (ETFs) listed on Bursa Malaysia are Shariah-compliant and 22 percent (4 out of 18) of real estate investment trusts (REITs) offerings are Shariah-compliant.

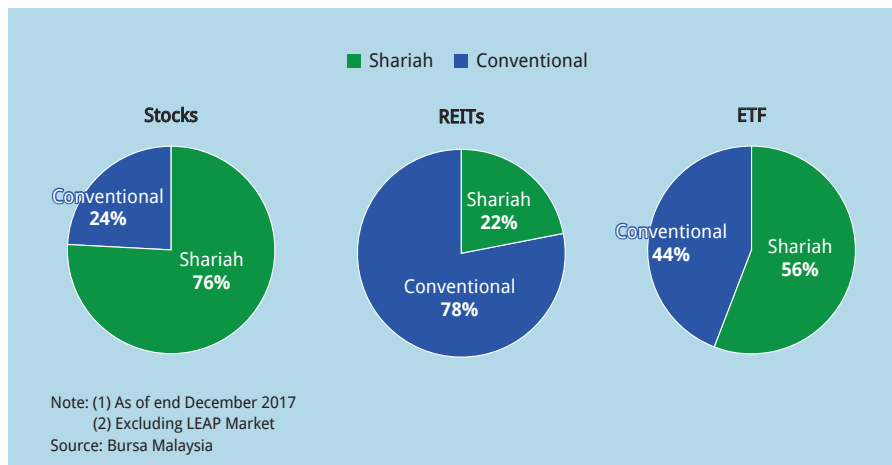
The breadth of Islamic offerings can attract and cater to the growing global appetite for Shariah-compliant offerings, with the size of the industry exceeding USD 2 trillion and burgeoning at a rapid pace.

Together with Bursa Malaysia's unique positioning and key differentiator as the leading center of the Islamic capital market, interest from international investors in Shariah-compliant offerings is expected to be a magnetic source of catalytic growth for the exchange. Furthermore, Shariah investments and ethical investments, although not equivalent, share some similar tenets. Thus, potential investors that will be drawn to Bursa Malaysia's commanding Islamic Capital Market offerings may include not just faith-based Muslim investors, but also socially responsible investors.

Expanding Derivatives: Suite and Access

Bursa Malaysia has been the world's biggest palm oil futures trading hub since 1980. Specifically, the Crude Palm Oil Futures (FCPO) contract has long been recognised and referenced as the global price benchmark for the crude palm oil market. With a suite of palm oil derivatives products – from USD Crude Palm Oil Futures; USD Refined, Bleached and Deodorised Palm Olein Futures; Crude Palm Kernel Oil Futures; and Options on Crude Palm Oil Futures – Bursa Malaysia is firmly positioned as the global marketplace for palm oil derivatives. Besides the aforementioned suite of palm oil derivatives, today, the exchange also offers a range of other derivatives asset classes such as equity derivatives and

Figure 3: Bursa Malaysia Provides Ample Conventional and Islamic Products



financial derivatives.

Bursa Malaysia's partnership with Chicago Mercantile Exchange (CME) Group (the world's leading and most diverse derivatives marketplace) since 2009 accelerated the internationalisation of Bursa Malaysia Derivatives (BMD). CME's Globex electronic trading platform provides global accessibility and visibility enabling customers from around the world to easily access BMD products for trading and hedging opportunities. BMD has also been granted registration as a Foreign Board of Trade by the US Commodity Futures Trading Commission, meaning identified members and other participants located in the US can directly access the Malaysian market to hedge and arbitrage.

Widespread international market promotion and market access will continue to be a core focus underpinning BMD's growth strategy, to ensure market vibrancy and liquidity. As an example, BMD and Dalian Commodity Exchange have co-organised the annual China International Oils & Oilseeds Conference for more than a decade, providing an international platform for information exchange, to push forward the development of the oils and oilseed futures market in the world. Going forward, the two exchanges will look to further deepen mutually beneficial collaboration in derivatives.

Bursa Malaysia will also continue to host the annual Palm and Lauric Oils: Price Outlook Exhibition & Conference, which provides an avenue for international participants (about 2,000 industry drivers from more than 50 countries) to engage in robust discussions on industry direction and outlook for the market.

Propelling toward Our Aspirations

With the solid foundations we've put in place, we are making progress on our chartered Business Plan to ensure Bursa Malaysia remains a dynamic exchange – specifically to achieve our 2020 aspiration of becoming a key regional player with global reach. Our strategies will be undergirded by our growth mindset towards innovation and anchored by the data-driven culture that is being ingrained into our

operations – with technology investments into enterprise data warehouse to provide rich insights for strategic planning, and more targeted products for our market participants.

Exciting products on the horizon

In view of our long-term aspirations, Bursa Malaysia will continue to pioneer in the region, orchestrating innovative ways with targeted partners to deliver offerings to the capital market, to fulfill the diverse needs of investors and issuers. We will be looking to develop the breadth of products in all markets.

A primary focus will be to formulate the next step change in growth of the ETF market. In 2017, the Securities Commission of Malaysia led a task force to spur innovation and drive ETF market growth. With liberalisations and incentives recently put in place and with concerted effort, ETF offerings on Bursa Malaysia are expected to expand to other types of ETFs. Recently, in December 2017, a Shariah-compliant ETF backed by physical gold was listed on Bursa Malaysia. The gold ETF marked Bursa Malaysia's first commodity ETF, broadening the asset classes of ETFs that were already offered in the form of bond or equity ETFs. Investors, both institutional and retail, can likely look forward to exciting entry points beyond the current plain vanilla ETFs – to include Leveraged and Inverse ETFs – that enable fresh investment strategies.

We also anticipate further expansion of REITs. In October 2017, Bursa Malaysia launched our eleventh in-house calculated index, the Bursa Malaysia REIT Index, which tracks all REITs listed on Bursa Malaysia. With the launch, Malaysia joins developed markets like the US, Hong Kong, Japan, Australia and Singapore in having a dedicated REIT Index. The REIT Index will spur the local REIT market and also serve as an attractive underlying for potential ETFs.

Bursa Malaysia also looks forward to working with other member ASEAN exchanges to create ASEAN-centric products and promote ASEAN as an attractive asset class to global investors. For instance, in 2016, Bursa spearheaded the launch of the FTSE4Good ASEAN 5 Index, to showcase quality companies in the region that meet international standards of ESG practices. We have confidence in the attractive proposition of the ASEAN asset class for international investors, and would welcome collaborations to make these offerings available.

We also believe that growth of a derivatives market is increasingly critical to the sustainability of the capital market.

Bursa Malaysia will thus also broaden our derivatives product offerings to ensure relevance and attractiveness to market participants, based on continual assessment of market needs. We will introduce more commodity-based derivatives products, solidifying our leadership position in this space in ASEAN. In addition, subject to procuring the necessary regulatory approvals, we hope to launch for the first time in Malaysia, two currency futures – introduction of USD and Chinese Offshore Yuan (CNH) against Ringgit futures. These would be progressive steps towards a more liberalised and conducive financial marketplace, and provide retail and institutional participants a new avenue of managing currency exposure.

Leveraging technology

Investment opportunities via products pique investor interest. However, investor confidence from transparent information, coupled with market vibrancy and a smooth experience are keys to sustaining trading interest. At Bursa Malaysia, we see the potential and promise of technology to transform customer experience – to more efficiently and aptly cater to the needs of diverse investors. It is imperative to capturing investors in future. Changing consumer preference for digital, mobile and customer-friendly solutions has seen Bursa Malaysia and capital market participants work towards delivering upgraded platforms for enhanced experiences.

In 2014, Bursa Malaysia invested in building BursaMKTPLC, our online platform that aims to improve financial literacy and empower investors to participate in the capital market by democratising information access and providing investors with trading ideas. The sleek and mobile-friendly website and app contain information about prices and products on Bursa Malaysia, making information easily accessible. It serves to equip potential investors with knowledge on capital markets and provides even experienced traders with tools to make more informed investment decisions. Investors can access research reports on not just large companies, but also mid- and small cap companies. Bursa Malaysia will continue to attract and reach out to digital natives, and focus on making the entire investor journey easy and inviting.

The belief in the power of technology is not held by Bursa Malaysia alone; it is also recognised and supported by our regulator and embraced by market intermediaries. For example, in 2017, Rakuten Trade, Malaysia's first completely online

equities broker entered the market. It is a joint venture between Malaysia's Kenanga Investment Bank and Japan's Rakuten Securities. Rakuten Trade enables customers to open an equity trading account completely online for seamless, end-to-end trading on Bursa Malaysia. Within seven months of launch, the platform recorded more than 5,000 investor accounts, many of which are new investors. Developments such as these will surely lend vitality and help create a sustainable marketplace.

Fintech is evolving the capital market landscape and provides new opportunities to meet customer demands and stakeholder needs. Exchanges need to embrace and become well-versed with the opportunities and disruptions in this space, which not only changes the front-end interface with our customers and investors, but also could change the backbone of how exchanges operate in the long run. Bursa will seek out fintech engagement opportunities in the global capital market landscape to strengthen our value proposition and help the exchange grow, capture new opportunities, and remain relevant in the fast-changing landscape.

While we look to opportunities presented by new technologies, we are cognizant of cyber security risk that is a growing concern among financial market institutions in the short to medium term. Bursa Malaysia stays abreast of developments in this space to adequately mitigate or address the threats. Bursa Malaysia will also invest in increasingly sophisticated technology to perform our risk management and regulatory functions more efficiently.

Developing the ecosystem

Our aspiration of being a developed market come year 2020 means having key characteristics such as ample liquidity in the market and an efficient center of price discovery. We have worked and will continue to work towards addressing structural issues to increase the number and diversity of participants, and creating more provisions that enable further flexibilities in trading, on par as other developed markets.

In year 2017 alone, we opened several new avenues with several liberalisations. Among the initiatives is a revision in the tick rule to provide market participants with greater price flexibility in performing regulated short selling. We also decoupled the participants structure in the derivatives market, to welcome stand alone, foreign clearing members. The exchange also introduced new trading features (expansion of order types and validity) giving

investors greater flexibility in managing their orders, for refined trading and risk management strategies. We will benchmark against developed market peers to do even more.

Spreading our reach

The exchange is reaching out to a larger pool of investors to be part of our economic growth story. We launched several fresh campaigns to energise and reach new local, retail investors as part of our investor education initiative. In November 2017, we launched a three-month nationwide 'What's Your Goal' campaign in collaboration with brokerage firms, to nurture the desire for retail investors to participate in the stock market offering over 80 investor seminars and workshops across the country. Additionally, we held the inaugural Shariah Investing Fair, attracting 10,000 prospective retail investors, to educate them on the value proposition and attractiveness of Shariah-compliant capital market products and services. The fair saw the launch of the Shariah Trader Challenge, a virtual stock trading competition focused on trading of Shariah-compliant stocks. This challenge was created to raise the awareness of Shariah-compliant investment instruments among retail investors and also to help promote responsible investment.

Building connectivity

A thriving and active base of diverse global investors is also necessary to achieve our aspirations. We already have steady foreign participation across our securities and derivatives market. However, we have set our sights on expanding global reach and foreign participation by further leveraging platforms such as Bursa Malaysia-i, Bursa Suq Al-Sila', and CME's Globex.

The exchange will also continue to make progress towards being the center or artery of investments in the region. Cognizant of the need to build bridges in an increasingly globalised world, Bursa Malaysia will tap new and existing relationships to build regional connectivity. We will continue to seek strategic partnerships with other exchanges and market players to facilitate cross-border investments. Our efforts include enhancing cross-border access of products or offering exposure to different markets for instance via separate, ongoing collaborations with the Indonesia Stock Exchange and the Shanghai Stock Exchange. Each of these key markets has products of interest to local investors. Indonesia and China also have both existing and latent demand for investment portfo-

lio enhancement via Bursa Malaysia offerings.

Moving forward

The global exchange business will continue to be competitive, partly driven by technology that provides instant access to multiple markets across different time zones, and infrastructure that will be impacted by changes brought about by technological advances.

The global marketplace is set to become more exciting and dynamic. In a nutshell, Bursa Malaysia will remain focused on various initiatives aimed at widening our products and services offerings; increasing liquidity and velocity in the market; and creating a conducive capital market ecosystem for all market participants, to provide more opportunities for fund-raising, trading and wealth creation. We strive to attain more momentous milestones, to ensure wider relevance and sustainability of our business for long-term value creation for our stakeholders.

BURSA MALAYSIA

Bursa Malaysia is an approved exchange holding company under Section 15 of the Capital Markets and Services Act 2007. A public company limited by shares under the Companies Act 2016, Bursa Malaysia operates a fully-integrated exchange, offering equities, derivatives, offshore, bonds as well as Islamic products, and provides a diverse range of investment choices globally.

