

# BURSA MALAYSIA BERHAD

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## FY 2011 Financial Results - Analyst Briefing 9 February 2012

Dato' Tajuddin Atan, CEO  
Nadzirah Abd Rashid, CFO



# AGENDA

- **HIGHLIGHTS**
- **BUSINESS REVIEW & STRATEGY**
- **FINANCIAL REVIEW**
- **OUR TARGETS & CONCLUSION**

# Highlights

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# Business Highlights

## 1H 2011

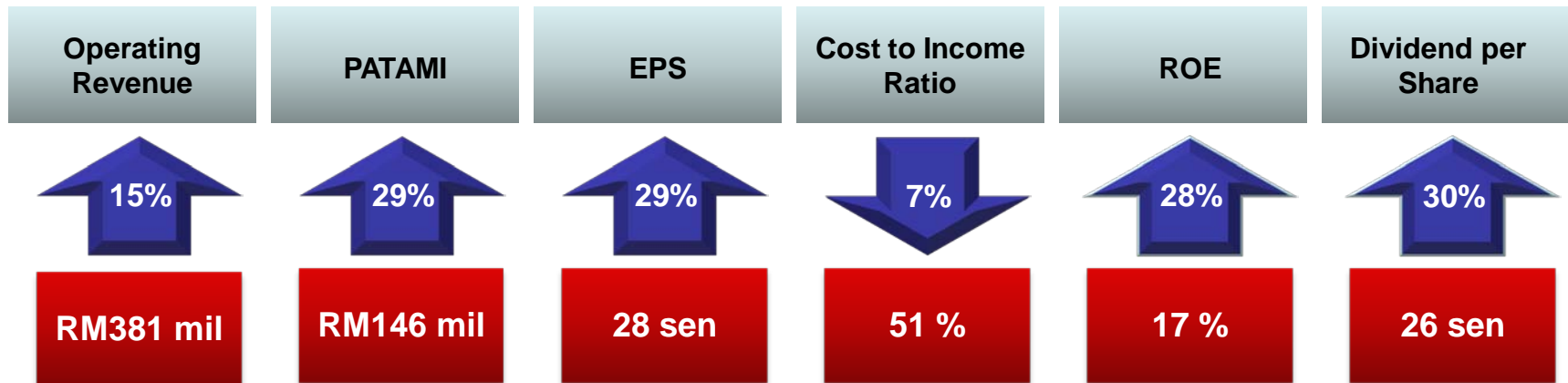
<b>FTSE's Index</b>	Elevation to Advanced Emerging market status in FTSE's Index.
<b>MSCI indices</b>	Malaysia's market weightage across MSCI indices increased. MSCI Emerging Market Index increased from 2.9% to 3.2%.
<b>CFTC</b>	CFTC allows US clients to buy or sell FKLI.

## 2H 2011

<b>Dual-Licensing</b>	Fast track dual licensing and admit additional licensee to enhance distribution channel and accessibility of Derivatives offerings.
<b>PDTs</b>	PDTs increased to 58 from 36 – enhance liquidity in securities market.
<b>New Indices</b>	Introduced Industrial, Supersector and Sector indices to provide investors with a comprehensive set of tools for in-depth analysis of the Malaysian stock market.
<b>Negotiated Large Trade Facility</b>	Bursa Malaysia Derivatives introduces negotiated large trade facility.
<b>Corporate Disclosure Guide</b>	Introduce CD guide aim at elevating the standards of disclosure.
<b>Practical Guide to Listing</b>	To assist SMEs on their journey and life as a listed company.

# FY 2011 Financial Highlights

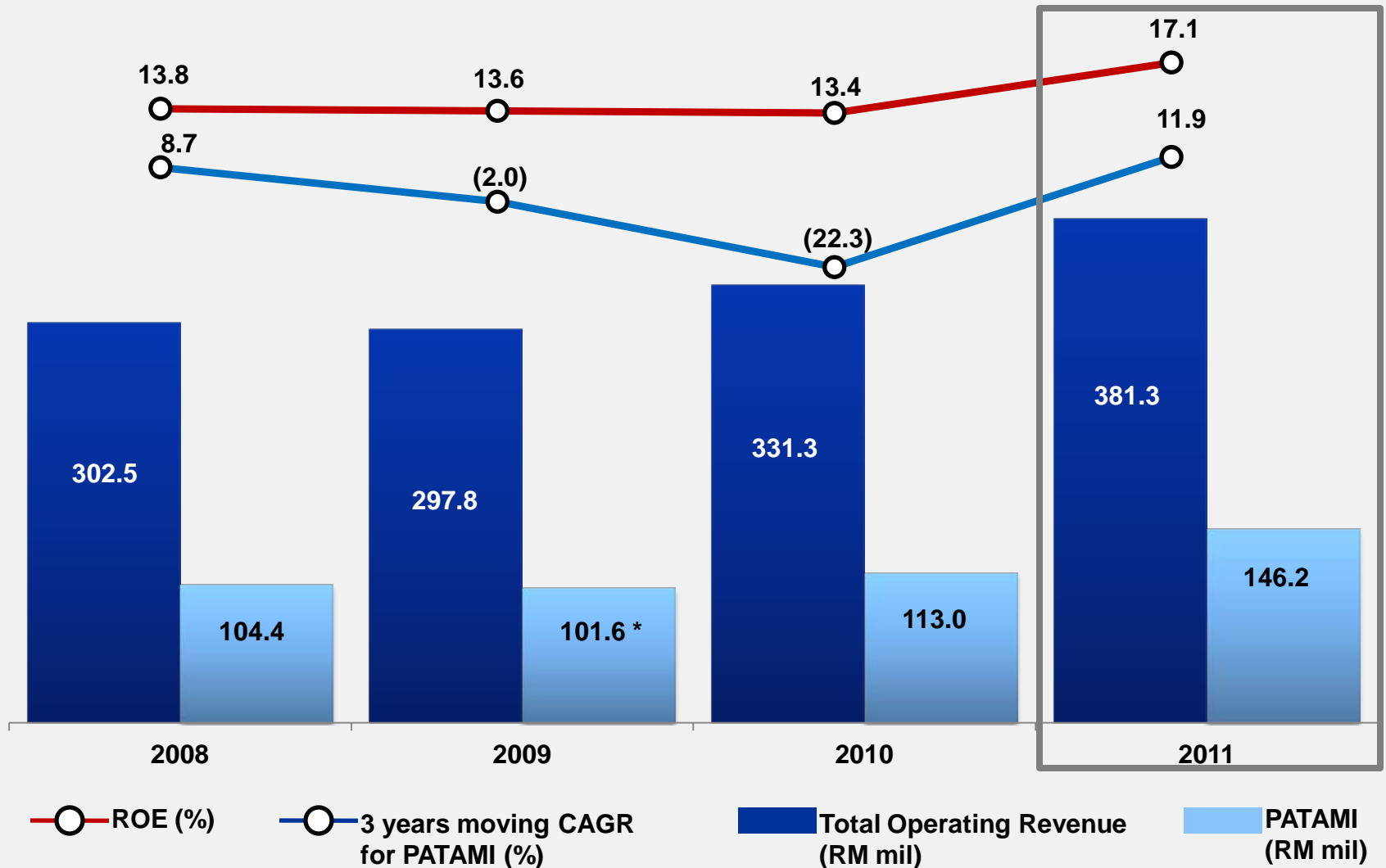
Commendable Results Despite Challenging Year



- Supported by the nation's strong fundamentals, robust domestic demand as well as the governments various initiatives for the economy and capital market, Bursa Malaysia managed to deliver a good set of results despite the difficult overall market conditions globally in 2011.
- PATAMI increased by 29% to RM146 million in 2011, due to higher revenue and better cost management.
- Cost to income ratio improved by 7% from 55% in 2010 to 51% in 2011. Excluding the licence fees paid to CME for the trading of products on Globex<sup>®</sup>, operating cost increased merely 4% in 2011.

# Profit & ROE Trend

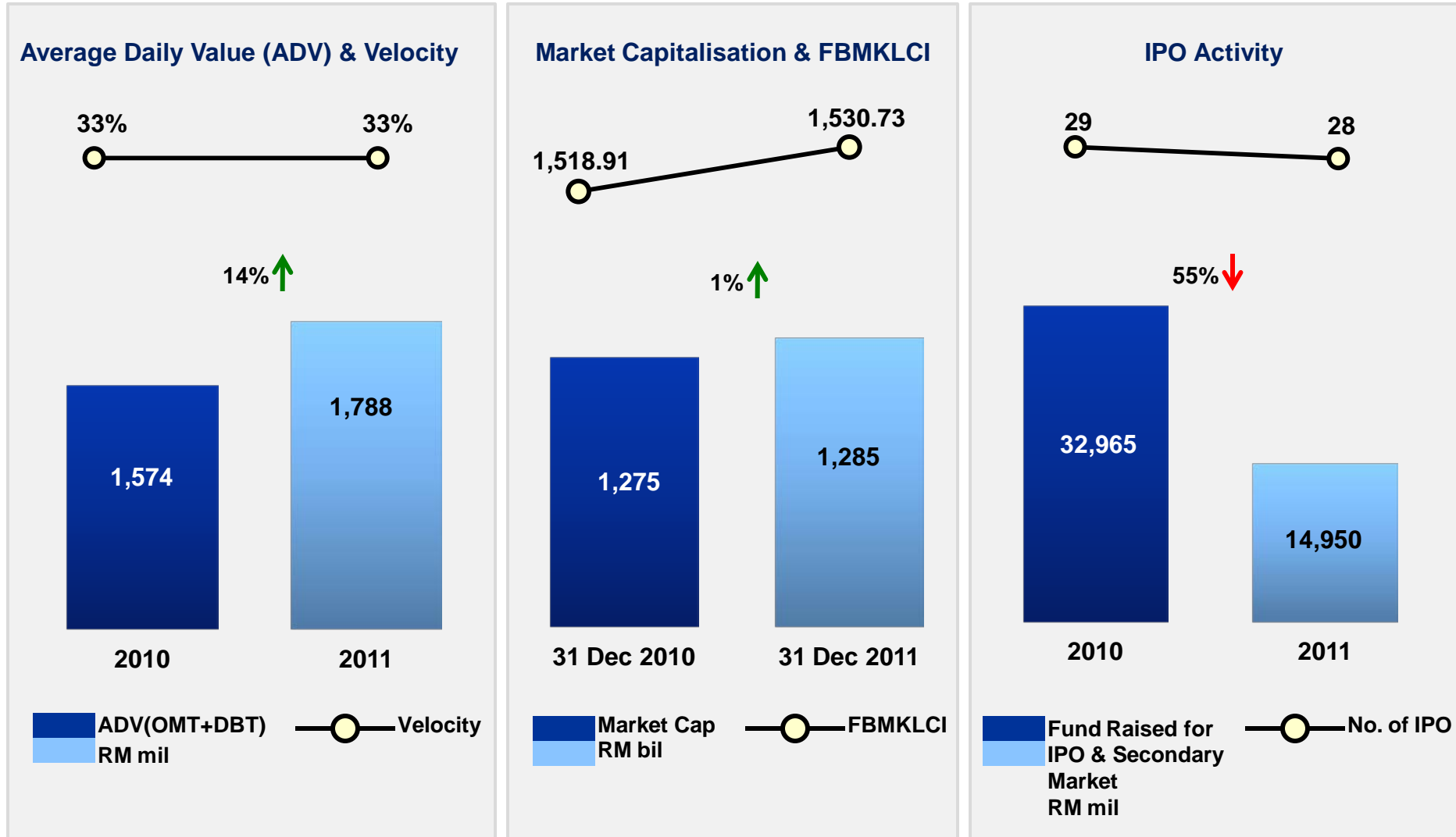
Positive uptrend of PATAMI and ROE



\* Excluding capital gain of RM76 million from the disposal of 25% equity stake in Bursa Malaysia Derivatives

# Securities Market Overview

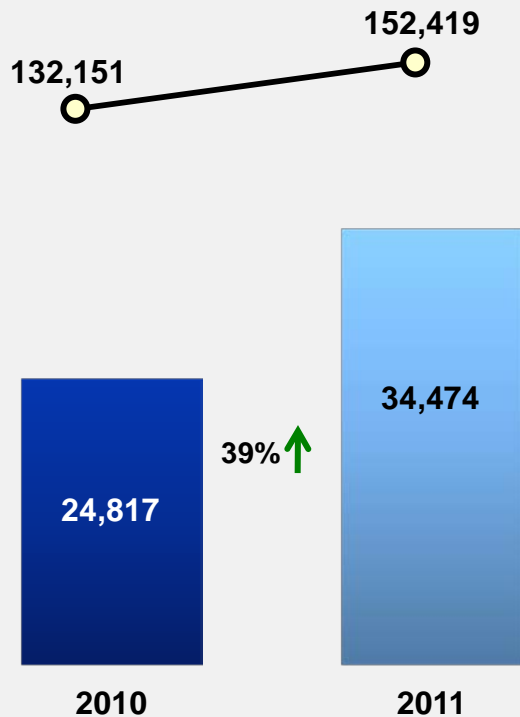
FBMKLCI hits all time high at 1,594.74 on 8 July 2011



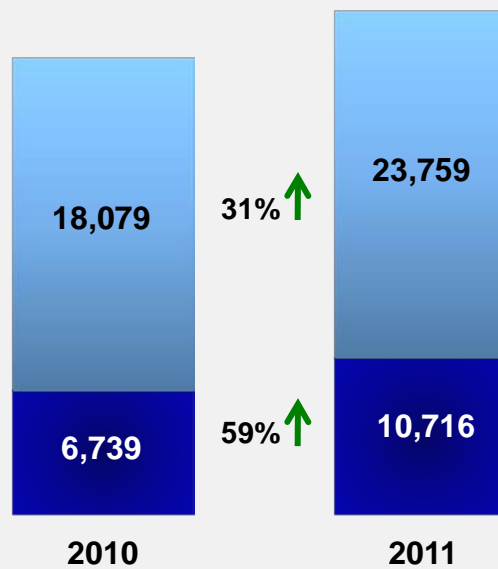
# Derivatives Market Overview

Derivatives Contract Scaling New Heights

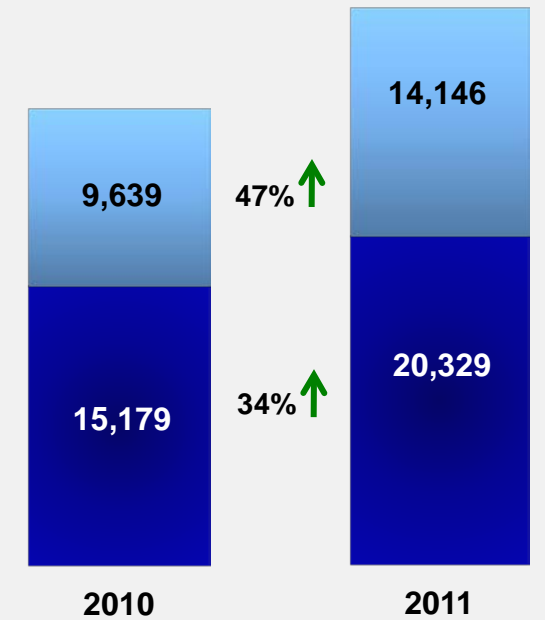
Average Daily Contract Traded (ADC)







Foreign vs Domestic ADC





Retail vs Institutional ADC



 ADC
  Open Interest @ 31 Dec

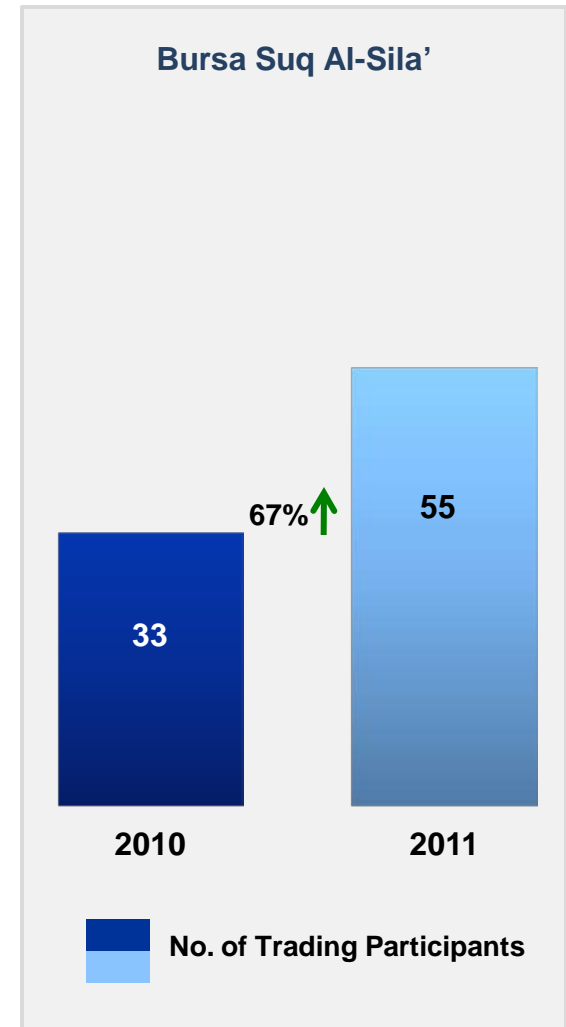
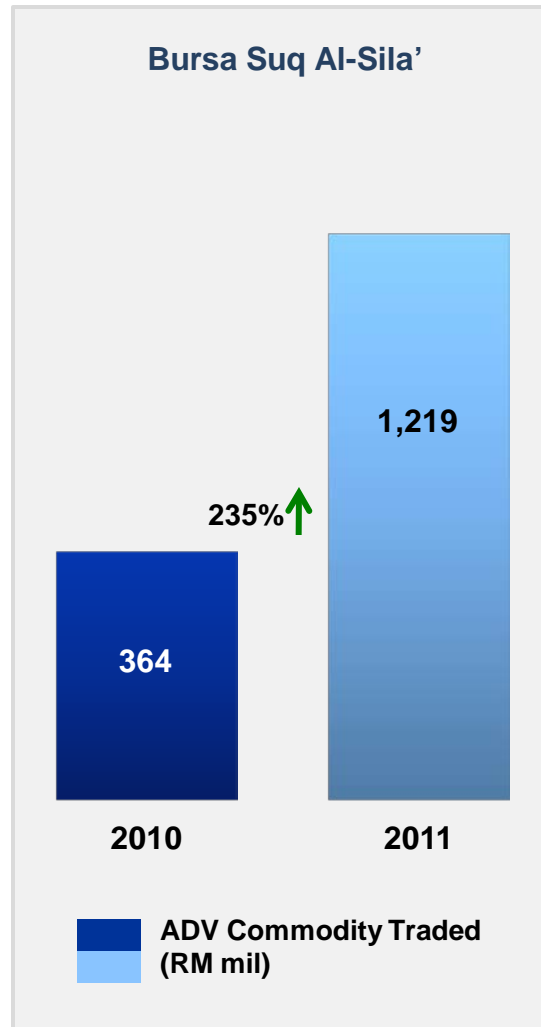
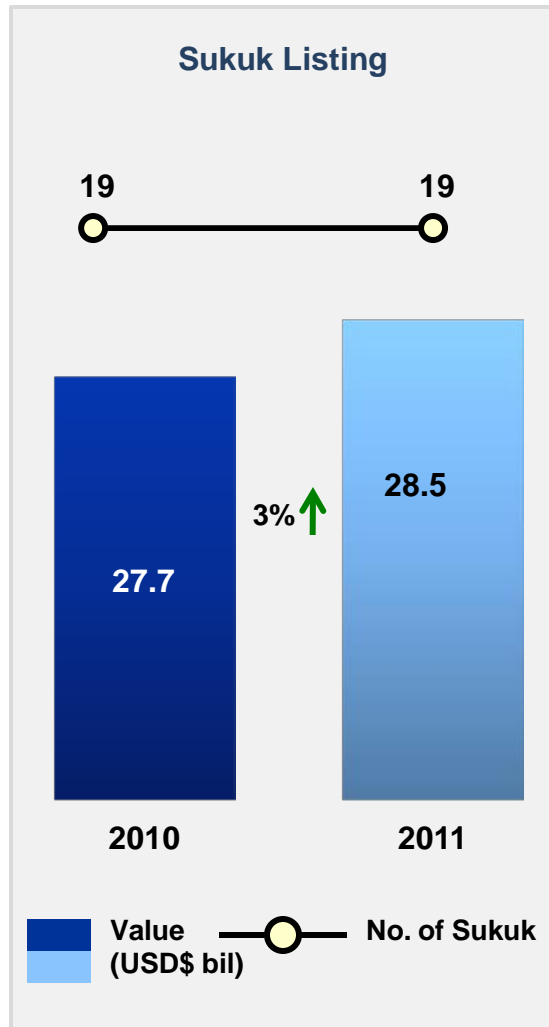
 Foreign
  Domestic

 Retail
  Institutional



# Islamic Market Overview

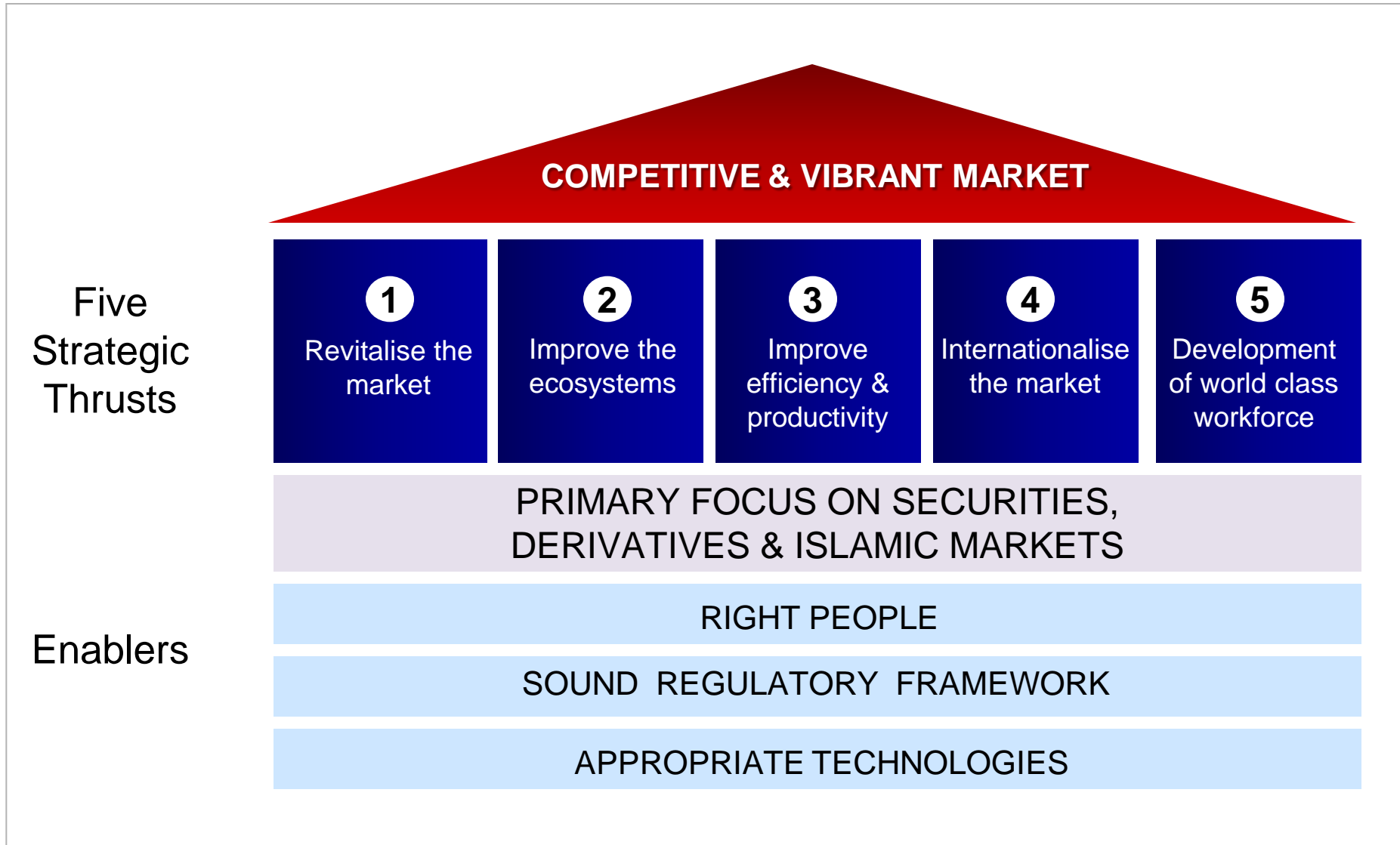
## BSAS Gaining Momentum



# Business Review & Strategy

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# 2011-2013 Strategic Direction



# Our Business Progress in 2011

## Securities Market



- Increased Day Traders to 58 from 36
- Building supply
  - ✓ Incentive on ETF seed funding & extension of tax benefit for REITS.
  - ✓ Reengaging Singapore retail (GEMS)
  - ✓ Structured warrants increased from 204 in 2010 to 363 in 2011
- MSCI Emerging Market Index increased from 2.9% to 3.2%
- Elevation to Advanced Emerging market status in FTSE's Index.
- ASEAN Exchanges Collaboration. Ongoing development with target launch of trading link in June 2012

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## Derivatives Market



- Foreign ADC increased by 59% in 2011 from 2010
- Local ADC increased by 31% in 2011 from 2010
- Easing entry requirements for local participants
- Fast-track programme for dual licensing
- CFTC approval for US clients to buy or sell FKL1 contracts
- Introduced high frequency traders to the market

# Our Regulatory Progress

## KEY FOCUS AREAS

- Enhance market quality
- Increase standards of conduct and governance of intermediaries and listed issuers
- Improve regulatory approaches/standards
- Enhance efficiency of regulatory services

## OUTCOMES

### Efficient Capital Raisings

- Our turn-around time is 1-13 days, which is comparable to SGX & HKEx
- Introduced Practical Guide to Listing

### Orderly Market

- Enhanced our approach to market surveillance, real time surveillance system and various analytical tools
- Market in general is in order & trading concerns addressed

### Improved Standard of Governance & Disclosure of Listed Issuers

- Strengthened regulatory framework in the area of disclosures and CG. Issued Corporate Disclosure Guide
- Effective management of financially distressed listed issuers. 7 companies regularised & 21 delisted
- Instituted pre-emptive measures resulting in less companies triggering PN 17/GN 3

### Improved Standard of Conduct of Intermediaries

- Reduction in recurrence of certain types of breaches
- Brokers' capital requirements well above the minimum threshold. Implemented 'Liquidity Risk Management' framework
- Completed 18 audits. Conducted 10 education programmes for dealers

### Robust Supervisory/Enforcement Activities

- Conducted supervisory activities using risk-based approach, where focus was on areas and brokers that are of significant risk
- Enhanced transparency in enforcement actions taken through the publication of enforcement actions
- Aimed to deter future breaches, educate market participants and promote a better culture of compliance

# Our Priorities for 2012-2013 (i)

Holistic Improvements Towards Vibrant Markets

## Securities Market

Increasing overall vibrancy/ visibility of the market and enhancing velocity



### *Focus Area*

1. Build an informed retail investor base and promote greater retail market participation
2. Facilitate and promote wider products across institutional and retail segments
3. Explore strategic business collaboration

## Derivatives Market

Liberalise access to the market and offering of new, attractive products



1. Revamp Participants structure – Bring in new Market Entrants
2. Direct Market Access enabling US clients to trade directly thru GLOBEX®
3. Expand Distribution Channel – Improve internet penetration, increase number of dual licences & Local Participants and encourage set up of branch and trading kiosks
4. Launch new derivatives products

## Islamic Market

Centre of Islamic equities and expansion of foreign client base



1. Expanding client base – foreign & domestic
2. Enhanced shari'ah compliant offerings

# Our Priorities for 2012-2013 (ii)

## *Focus Area*

### **Information Technology**



1. Enhance trading system infrastructure and features whilst streamlining access to the market
2. Implementation of the new Derivatives Clearing System with multi asset-class, time-zone and currency capabilities

### **Manpower**



1. Developing and retaining world class workforce
2. Emphasis on internal promotion and hiring external talent to fill the gap

### **Regulatory**



1. New Surveillance System
2. Review of LR
3. Further enhance the standard of disclosure and corporate governance for PLCs
4. Strengthen the level of 'self-regulation' of intermediaries
5. Review and strengthen our regulatory approaches
6. Enhance regulatory efficiency through automation of key processes

# Improved Ranking & Standard in 2011

**World Bank**

**4<sup>th</sup> Amongst 183 Countries For Investor Protection**

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**World Economic  
Forum**

**Ranked 4<sup>th</sup> Amongst 142 Countries for Strength of Investor Protection  
and ranked 9<sup>th</sup> for Efficacy of Corporate Boards**

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**Asian Sustainability  
Rating**

**3<sup>rd</sup> Amongst 10 Most Developed Asian Countries to provide Companies'  
Strategic Sustainability View to Stakeholders**

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**MSWG**

**The MCG Index had increased to 66.9 points from 66 points in 2010 and  
64.4 points in 2009**

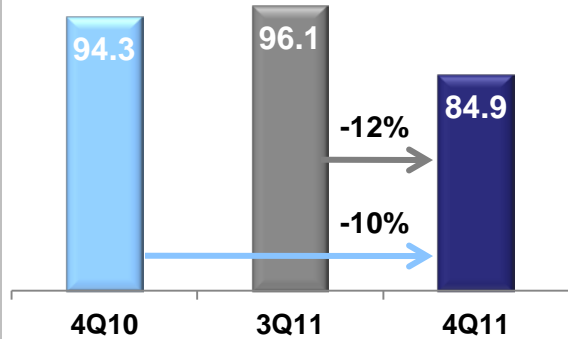


# Financial Review

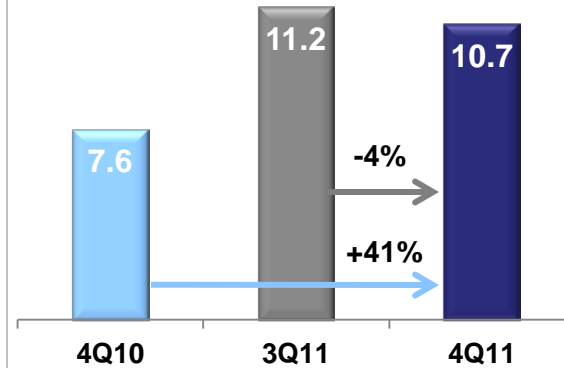
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# Quarterly Snapshot

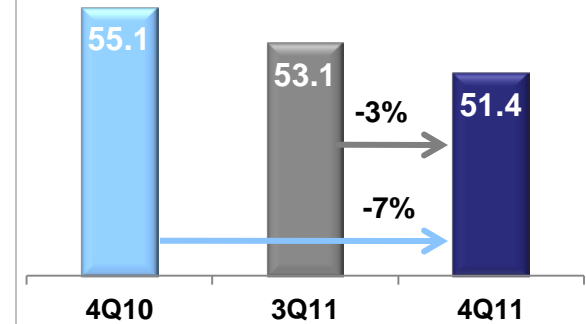
Operating revenue (RM'm)



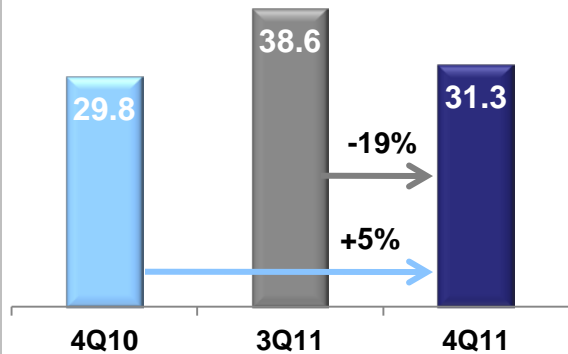
Other income (RM'm)



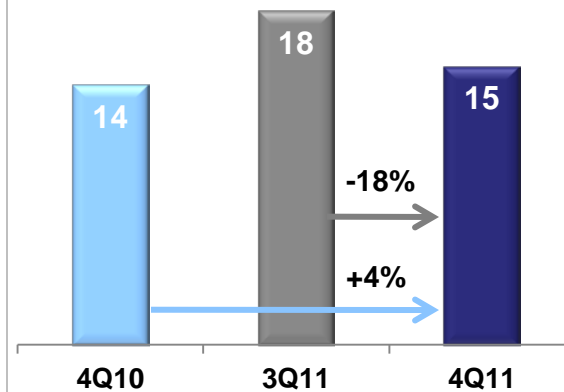
Operating expenses (RM'm)



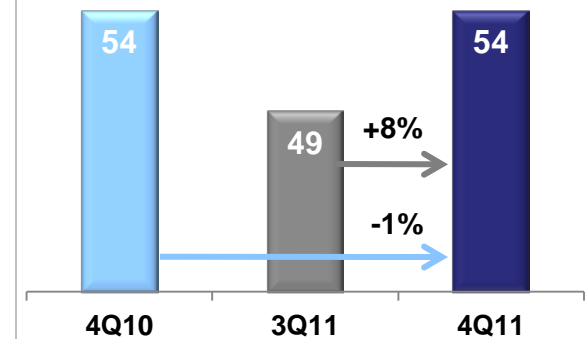
PATAMI (RM'm)



ROE (%)

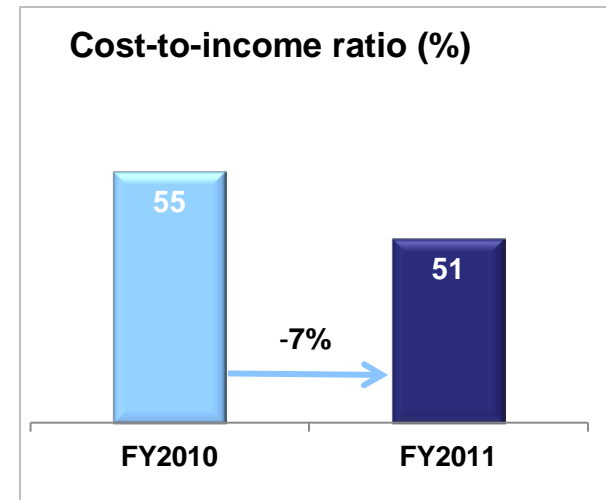
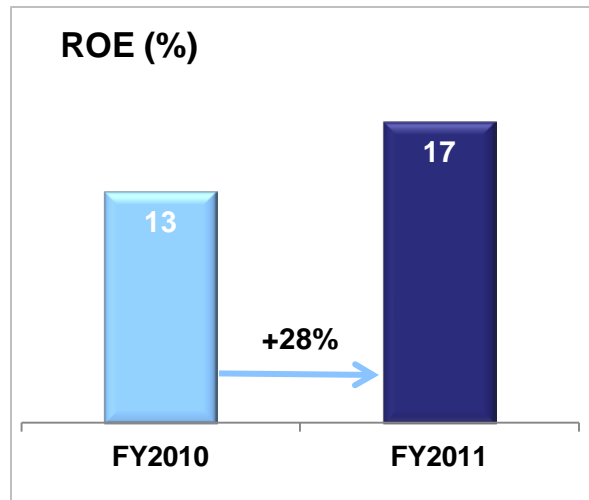
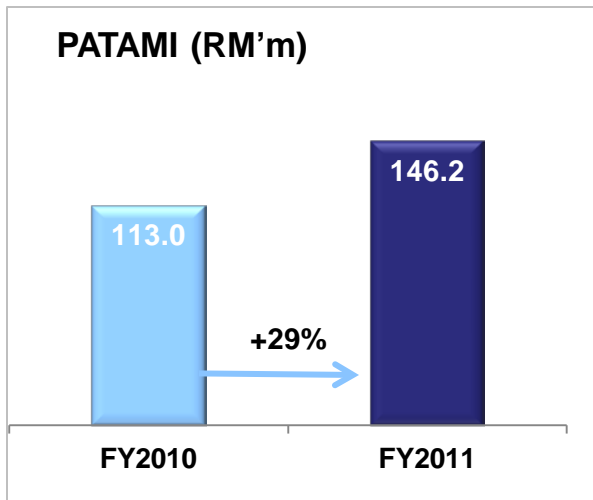
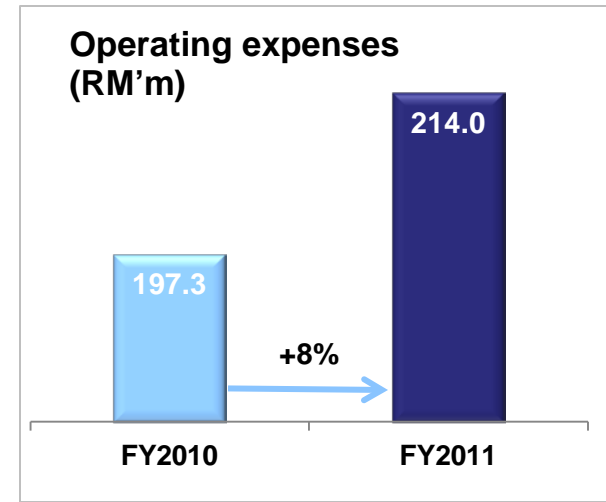
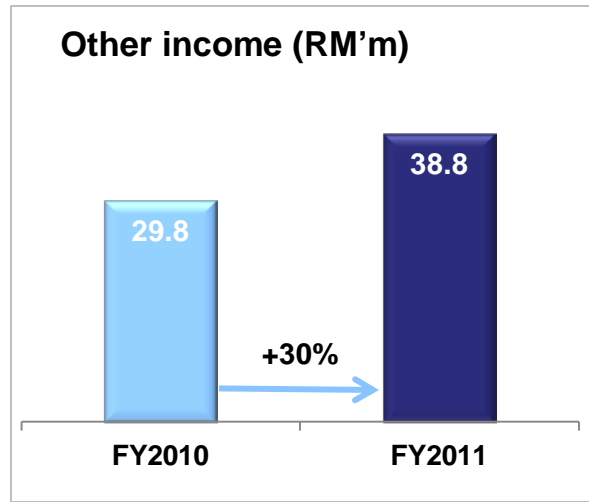
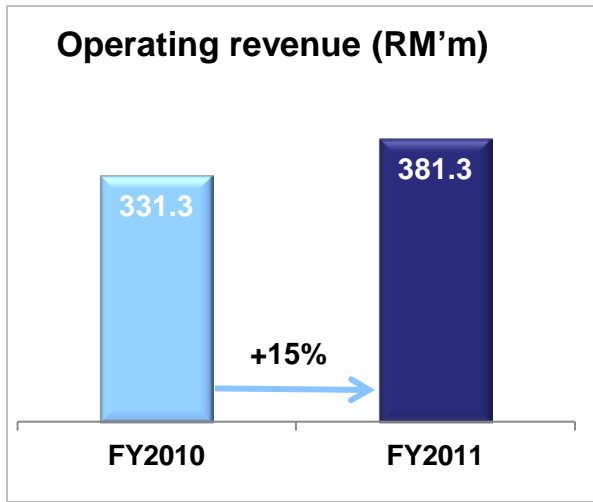


Cost-to-income ratio (%)



4Q11 PATAMI lower than 3Q11 due to lower trading activity on the securities market.  
 4Q11 PATAMI higher than 4Q10 due to more effective cost management measures.

# Financial Year Snapshot

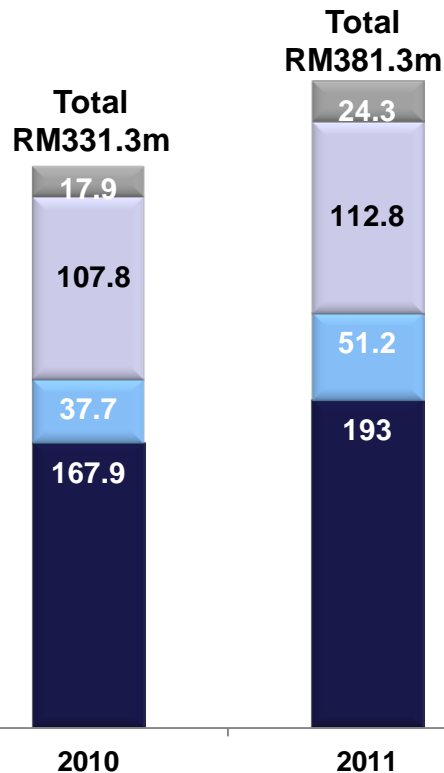


Higher PATAMI in 2011 due to improved cost to income ratio. Expenses (excluding Globex fees) increased by only 4% due to more effective cost management.

# Operating Revenue

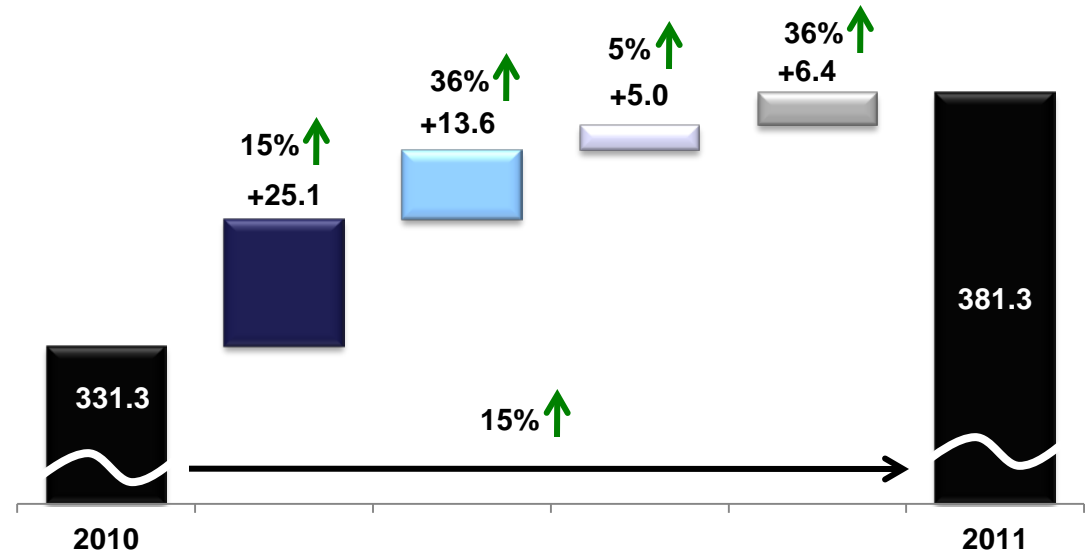
Revenue boosted by volatility on securities market, & improved derivatives market visibility & access

Operating revenue (RM'm)



- Securities trading revenue
- Derivatives trading revenue
- Stable revenue
- Other Operating Revenue

Growth contribution by revenue streams:

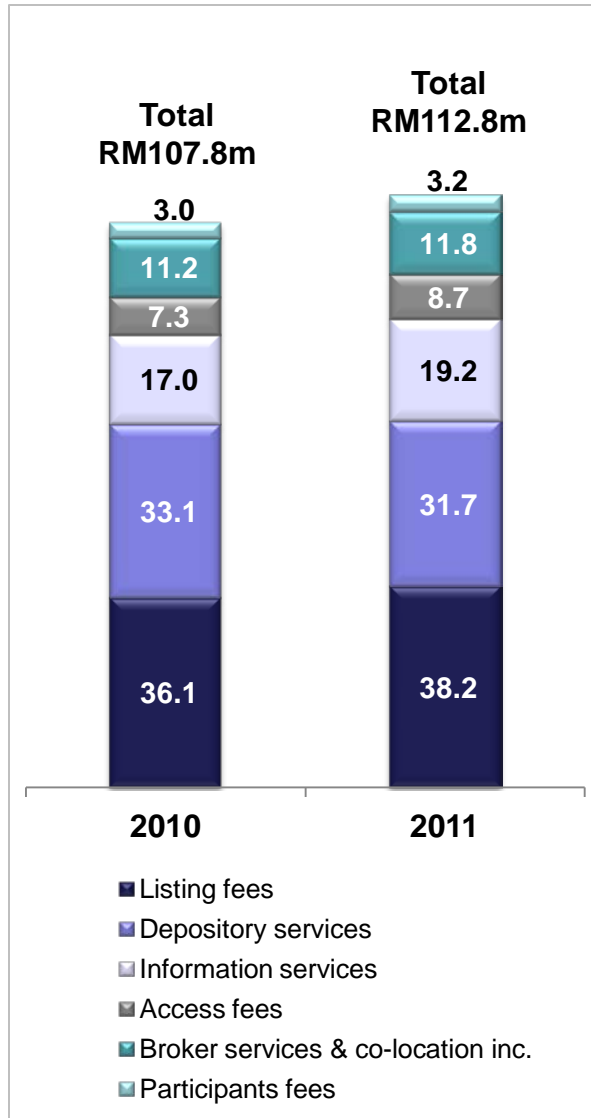


## Commentaries

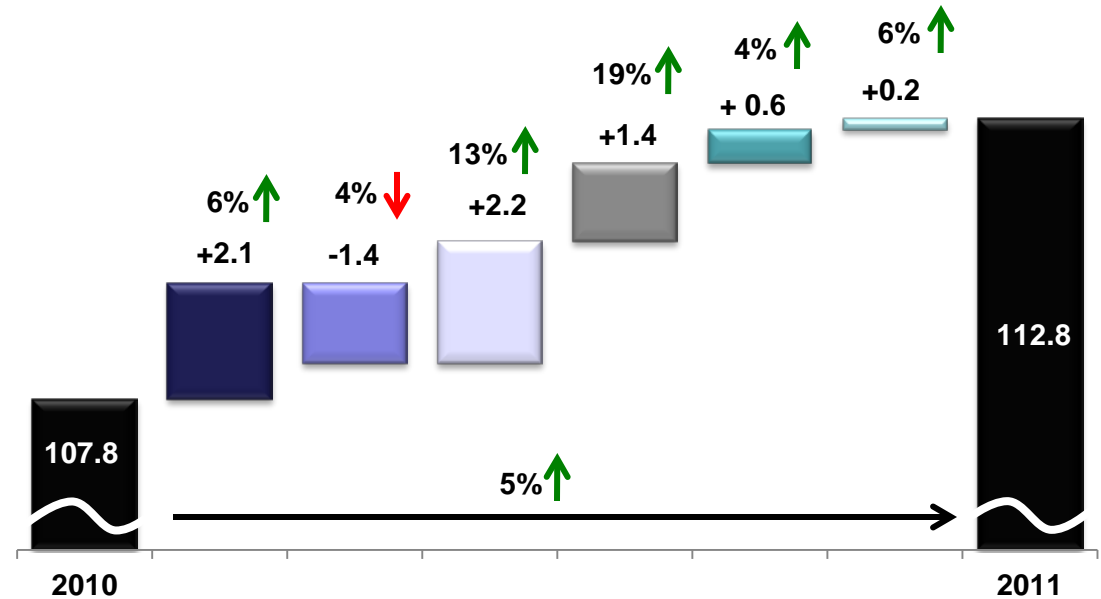
- Positive sentiments in 1Q, and the volatility caused by global uncertainty in the 2Q & 3Q resulted in a higher ADV of RM1.79 bil (FY2010:RM1.57 bil).
- Higher domestic and foreign interest improved derivatives volume from 6.15 mil contracts in FY2010 to 8.45 mil in FY2011.
- Higher other operating revenue due to higher interest on collaterals and conference fees from the derivatives business.

# Stable Revenue

Market activity & improved market capitalisation increased revenue



## Growth contribution by revenue streams:

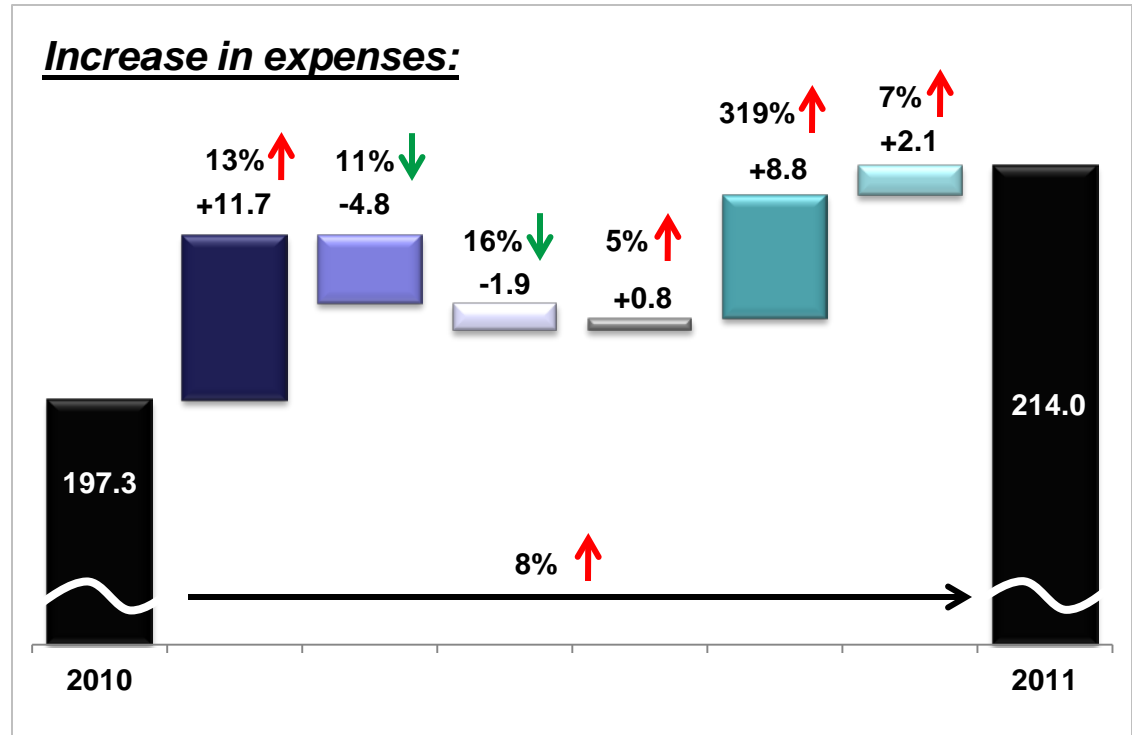
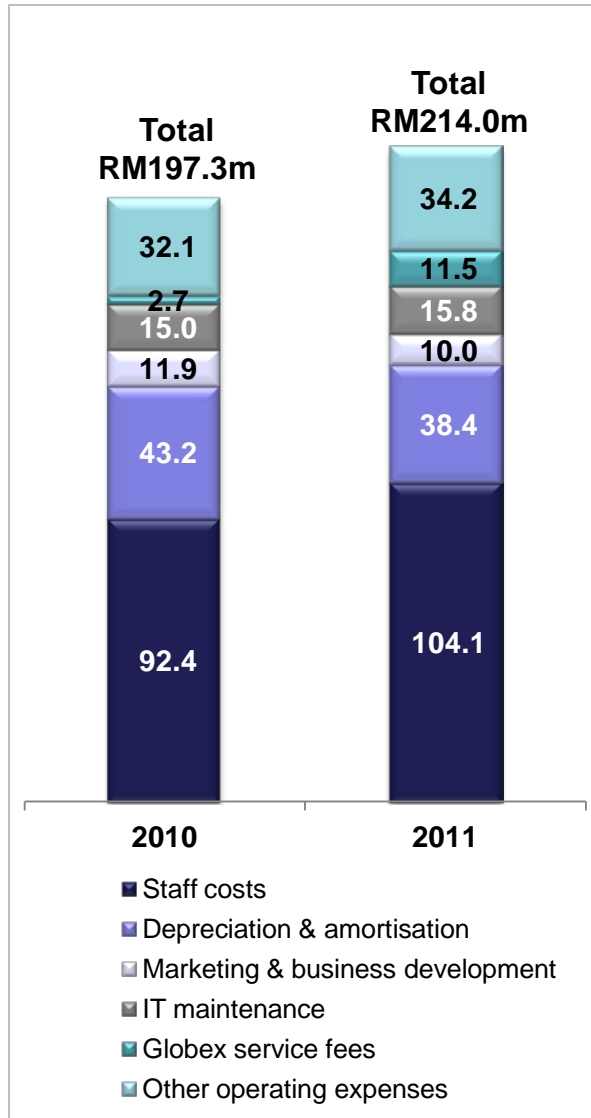


## Commentaries

- Higher listing fees due to higher market capitalisation and number of structured warrants (2011: 363 vs 2010: 204).
- Improved information sales due to higher trading activity in securities & derivatives markets.
- Higher access fees due to more direct market access.
- Lower depository income due to smaller IPOs, hence lower public issue fees in 2011.

# Operating Expenses

Controlled & focused expenditure; 4% increase in costs (ex-Globex service fees)

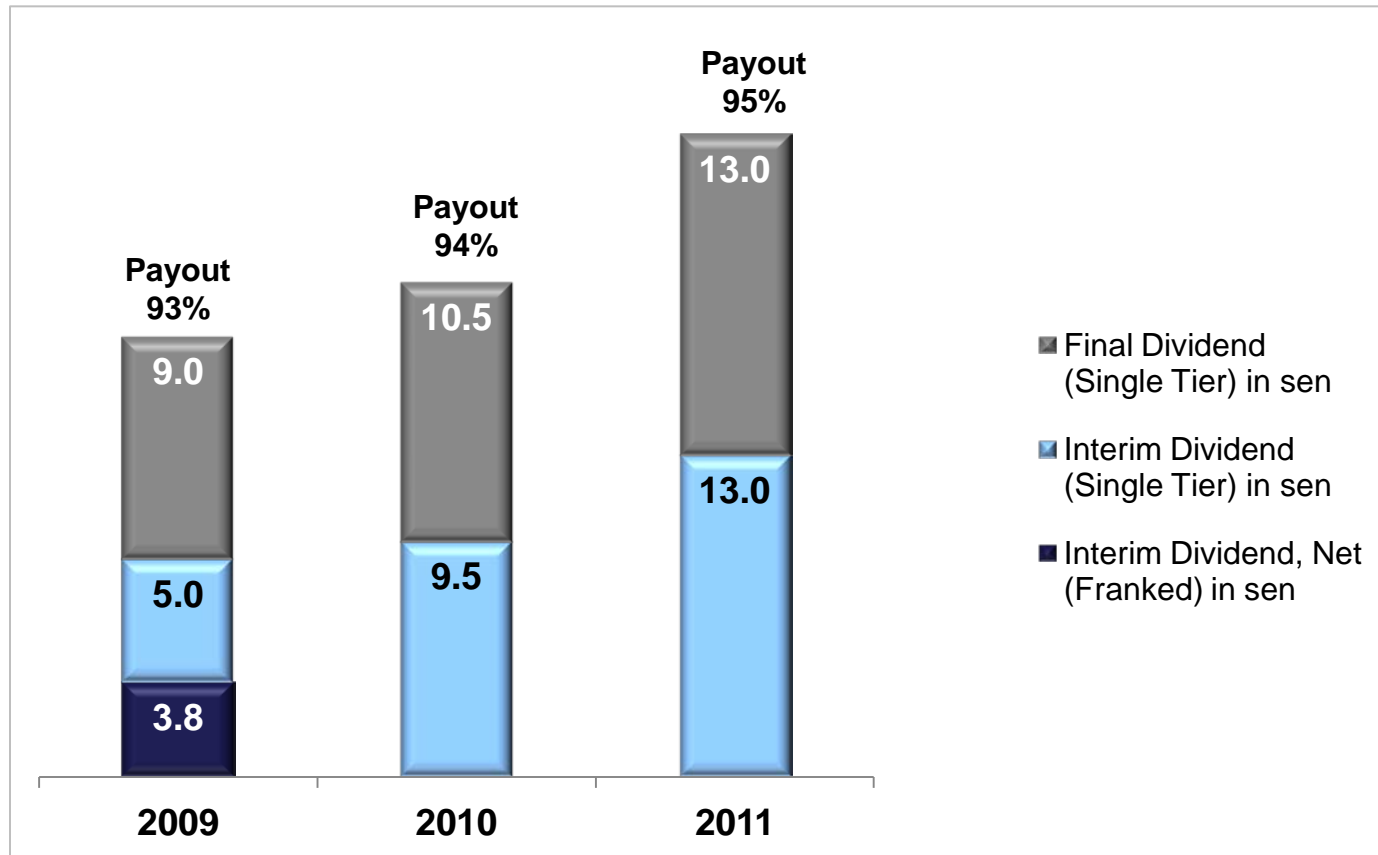


## Commentaries

- Higher staff costs due to salary increments & performance rewards.
- Lower depreciation & amortisation due to full depreciation of the previous derivatives trading platform.
- Increase in Globex® service fees in line with higher derivatives volume.
- Other costs items fairly stable.

# Dividends

Surpassing 75% payout policy







# Our Targets & Conclusions

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# Midterm KPIs

	KPIs	2011 ACHIEVEMENTS
<b>PROFITABILITY</b> 	Average PAT growth rate of at least 20% p.a. over the next 3 years.	 Recorded 31% growth in 2011 PAT.
	<b>LIQUIDITY</b> 	<b>1. SECURITIES</b> Growth in Average Daily Value (ADV) traded p.a. to be at par with the leading listed exchanges in the region.
	<b>2. DERIVATIVES</b> 50,000 Average Daily Contract (ADC) by 2013.	 Bursa achieved 34,474 or 39% growth in 2011 ADC.

# Awards and Accolades in 2011

## MALAYSIAN CG INDEX AWARDS BY MSWG

- Distinction Award
- Special Transparency Award



## THE ISLAMIC BUSINESS & FINANCE AWARDS

- Outstanding Contribution Award



## INVESTOR RELATIONS AWARDS

- Outstanding Corporate Governance in Asia-Pacific
- Best Online Annual Report in Asia-Pacific
- Investor Relations Website in Asia-Pacific - Bronze Award
- Best Ranked Corporate Governance by Industry (Financials)



# Prospect & Conclusion

## 2011 in Brief

- Despite the debt crises in the U.S. and Europe and their impact on markets across the globe, Bursa Malaysia somewhat demonstrated its resilience and tenacity through increased participation by both foreign and local investors.
- 2011 saw improvements in both trading volume and value, with the FBMKLCI outperforming most regional markets.

## 2012 Prospect

With the global market uncertainty expected to prevail this year, we expect our 2012 financial performance to at least mirror that of, if not better than, 2011.

### 1. Securities market

- Malaysia's resilient economic fundamentals, ongoing economic reforms & the divestment of assets by some GLCs will further contribute to the liquidity & vibrancy of the market.
- A few big IPOs involving GLCs are expected to come to the market this year.
- Continue to facilitate more Capital-raising exercises in the secondary market.
- Continue investment in hard and soft infrastructure, new product development & improvement to the market ecosystem.

### 2. Derivatives market

- Continue to benefit from the volatility on the securities market and CPO prices.
- Continue to grow volume on derivatives market as we expand our domestic and global reach.
- Expand Distribution Channel – Improve internet penetration, increase number of dual licencees & Local Participants and encourage set up of branch and trading kiosks .
- Launch new derivatives products.
- Continue to leverage business growth through strategic partner, CME.

# BURSA MALAYSIA BERHAD

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**FY 2011 Financial Results - Analyst Briefing  
9 February 2012**

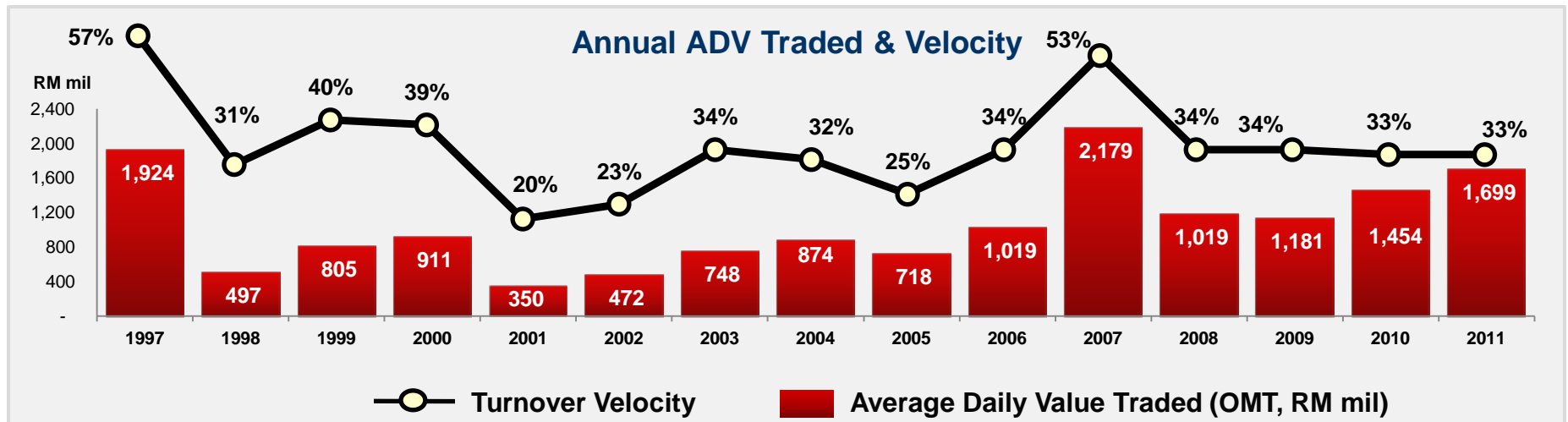
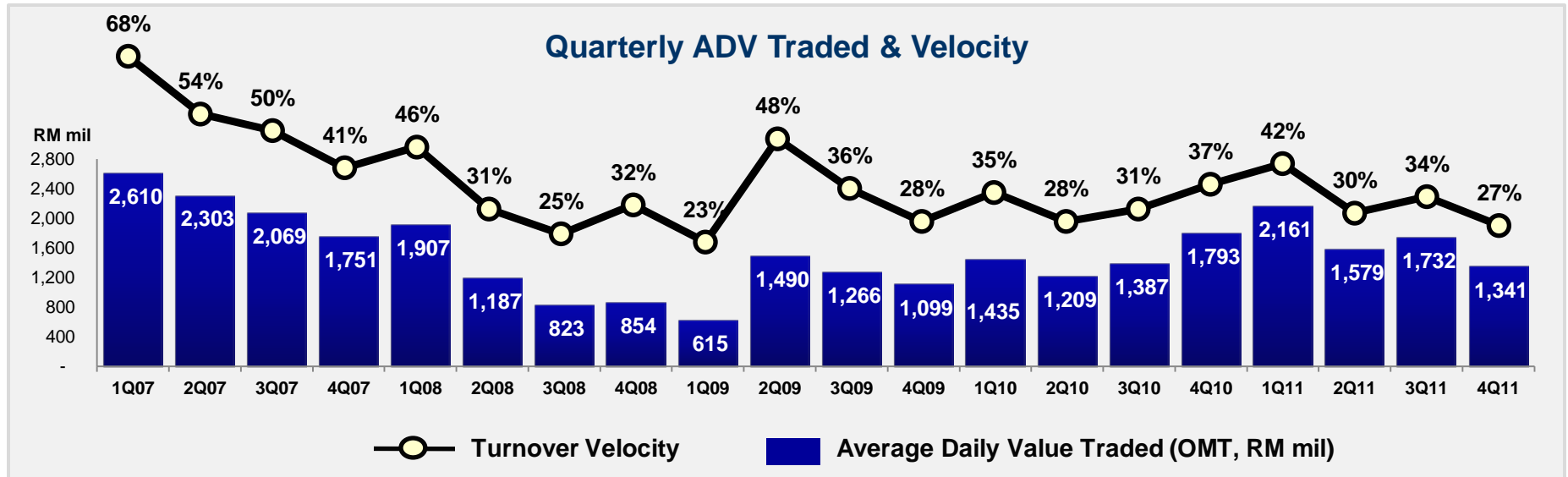
**Thank you  
Q & A**



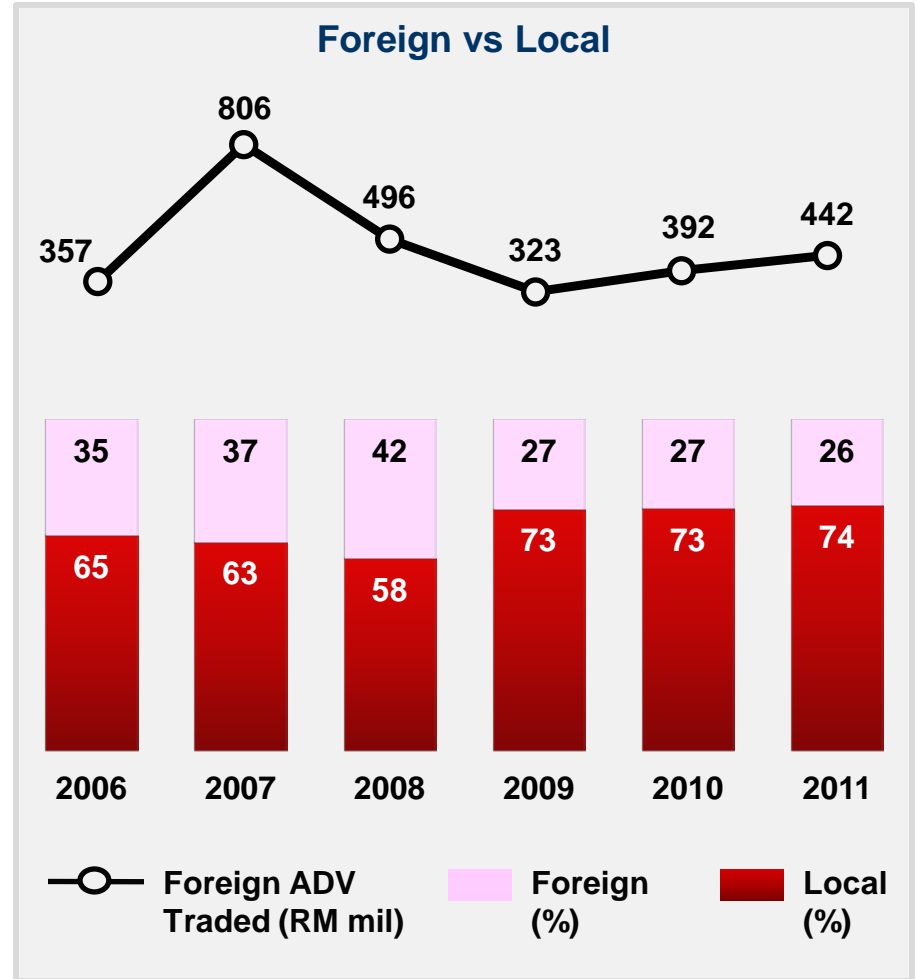
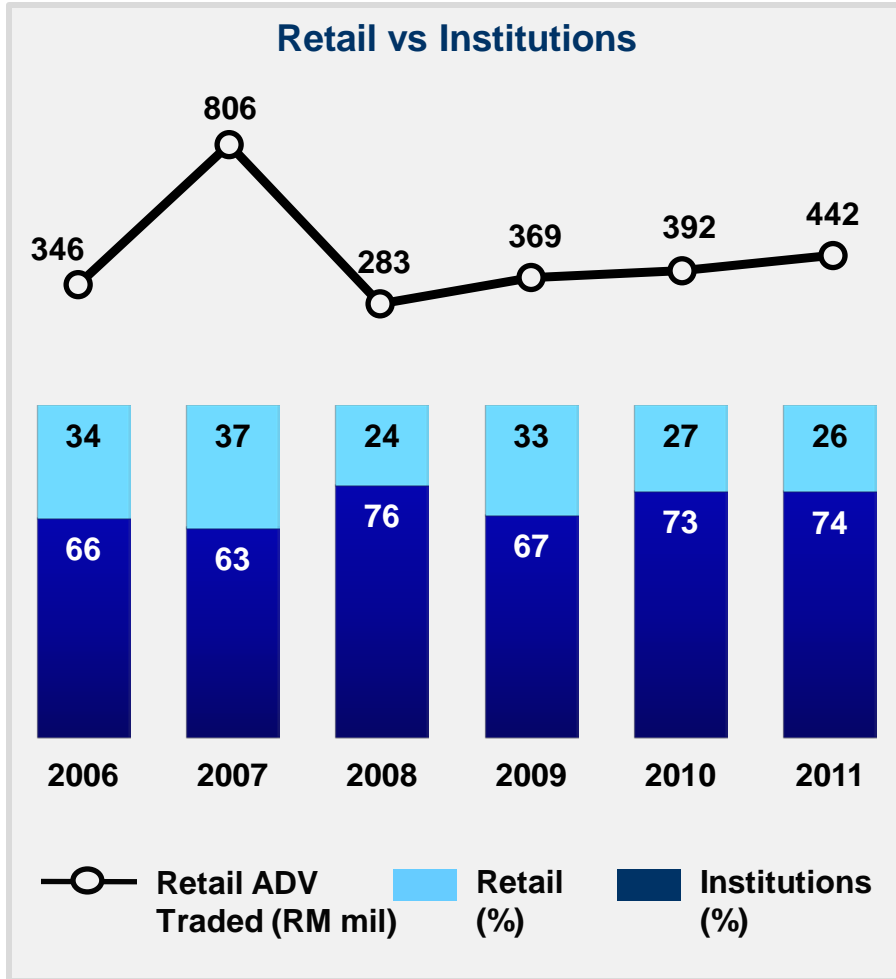
# Additional Information

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# Securities Market Trading Activity



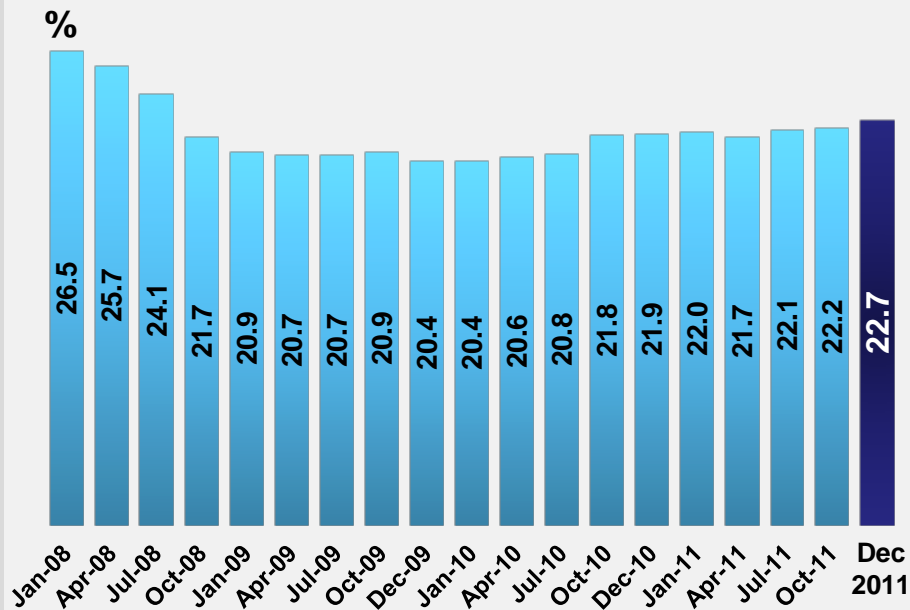
# Securities Market Trading Participation



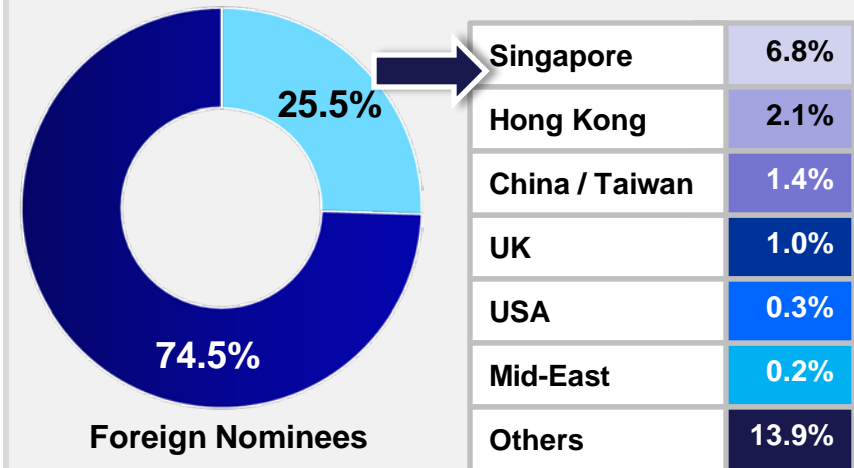
From 2006 to 2009, the statistics were based on Brokers' submission. From 2010 onwards statistics were based on Bursa's internal system.

# Securities Market Foreign Ownership

Based on Market Capitalisation  
(as at month end)



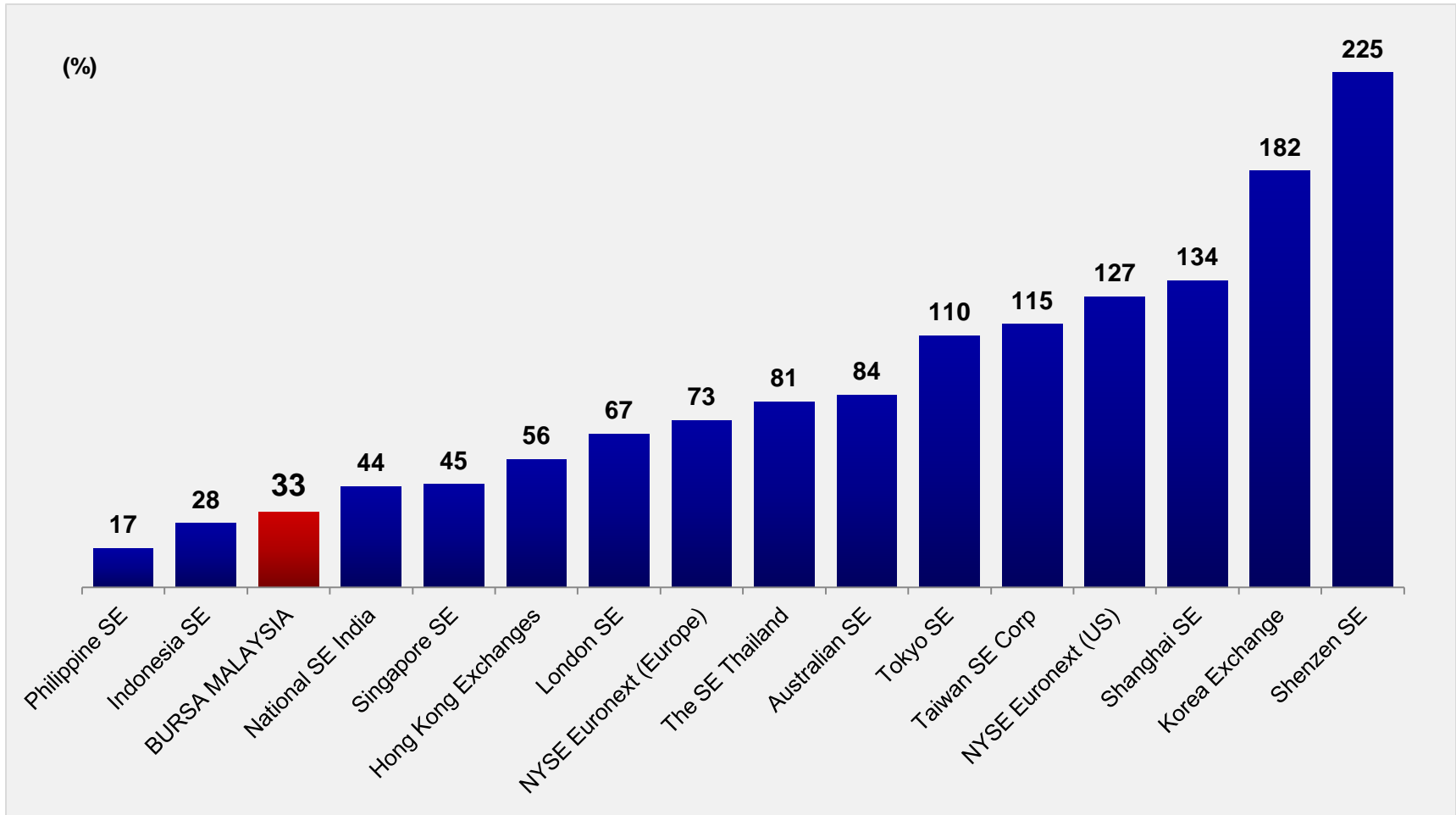
Foreign Ownership by Nationality





# Bursa's Potential To Grow Its Velocity

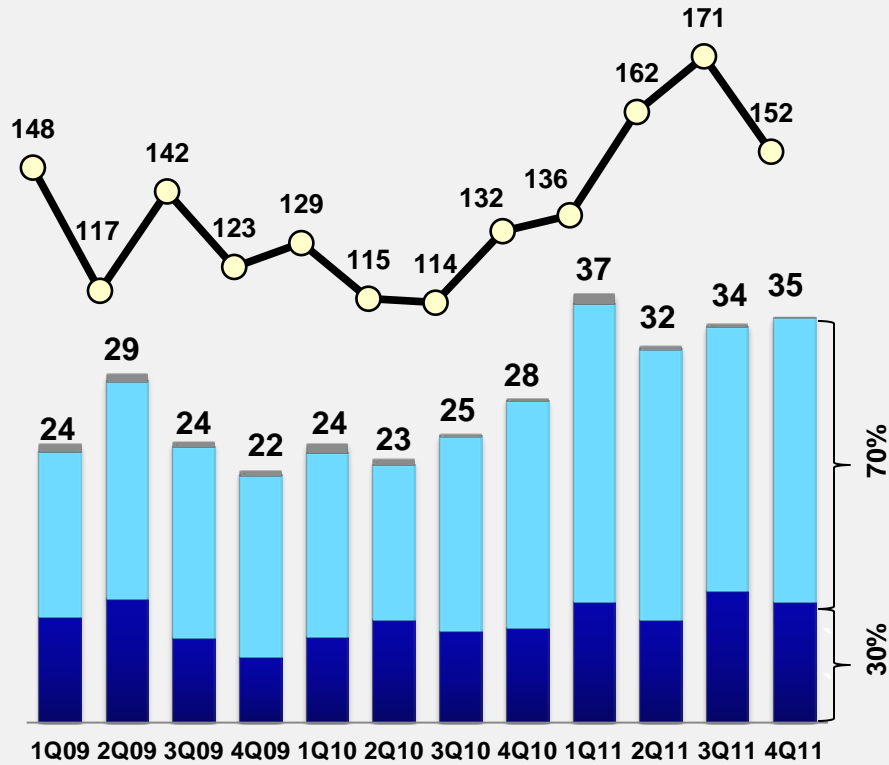
YTD December 2011



Source: World Federation Exchanges (WFE)

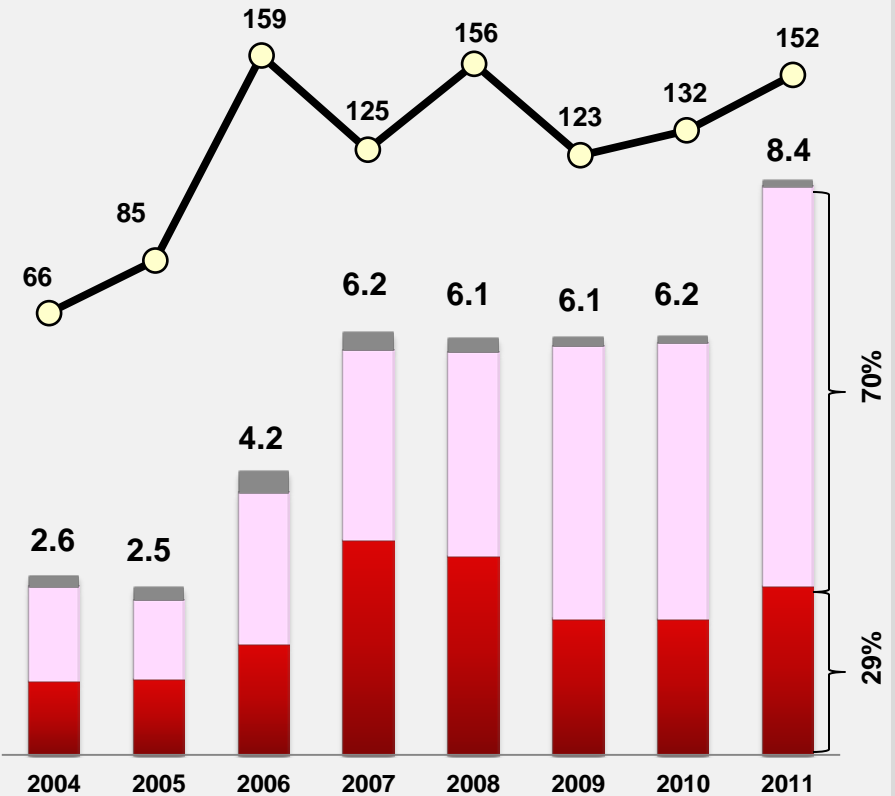
# Derivatives Market Activity

Quarterly (Average Daily Contracts 000')



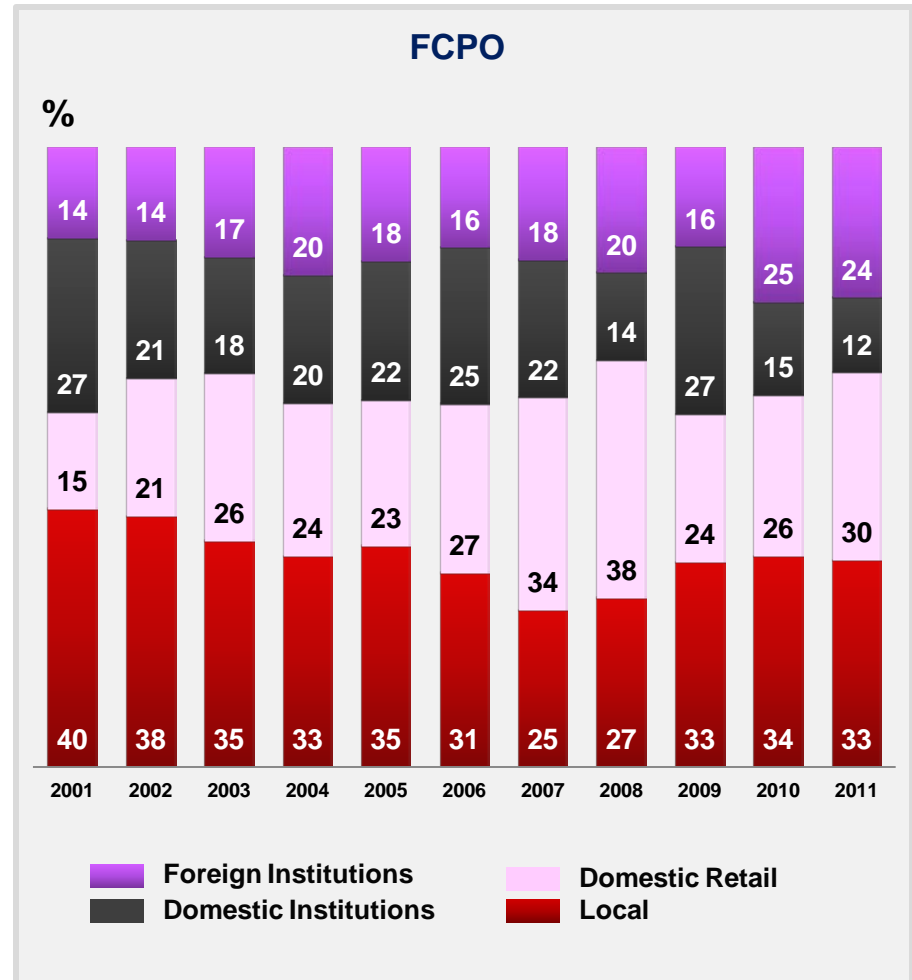
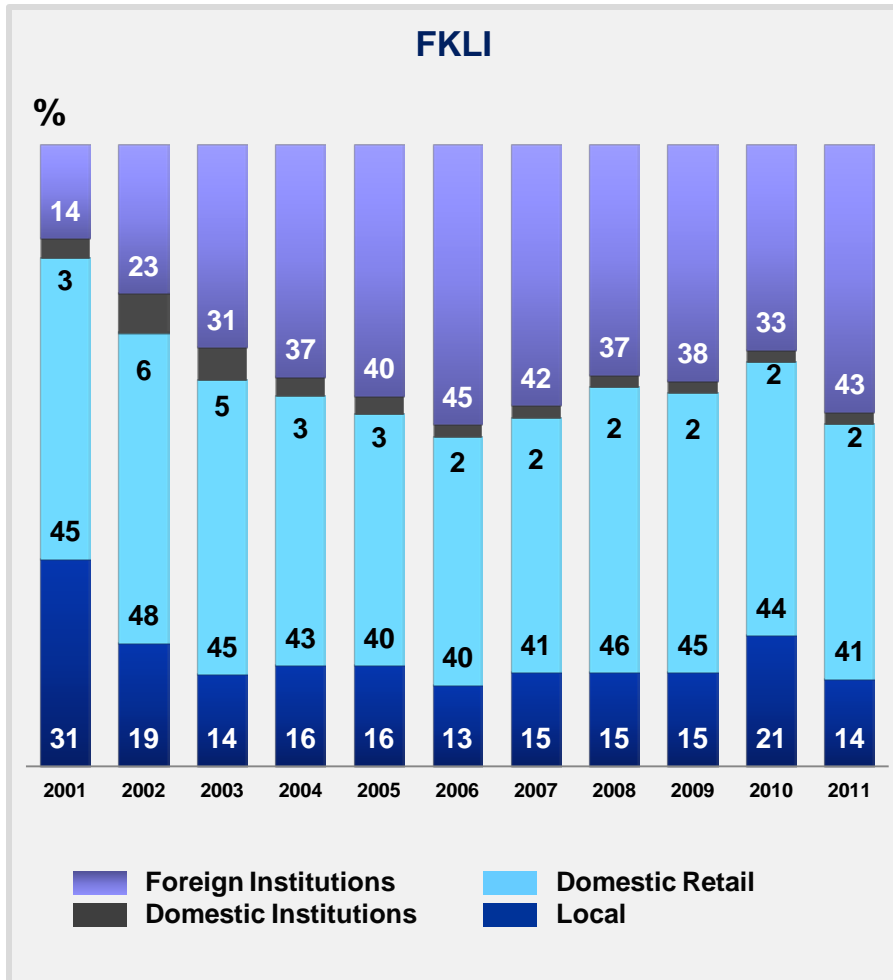
○— Open Interest (000')    ■ Crude Palm Oil Futures  
■ Others    ■ FBMKLCI Futures

Total Annual Contract (Million)



○— Open Interest (000')    ■ Crude Palm Oil Futures  
■ Others    ■ FBMKLCI Futures

# Derivatives Market Demography



\* Local - A local participant is an individual who has been admitted as a participant in accordance with The Rules, registered with SC and has the right to trade for himself - all futures contracts listed on the Derivatives Exchange.

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