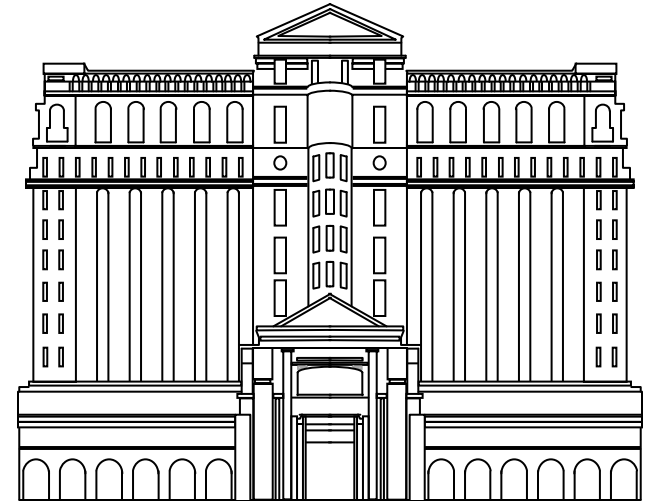


# MASA DEPAN PASARAN SAHAM

26 Mai 2009



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## **Content:**

- **Understanding Bursa Malaysia**

**Background and History**

**Roles and Functions**

**Bursa Malaysia Group**

- **The way forward**

**ICM**

**Bursa Commodity House**

**Islamic REITs**

**ISSB Framework & Islamic ETF**

# **Background and History**

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# Corporate Historical Highlights

- 1870s- Initial trading of shares
- 1960 - Malayan Stock Exchange
- 1965 - Stock Exchange of Malaysia and Singapore (SEMS)
- 1973 - SEMS =>The KLSE and The SES
- 1989 - SCORE Trading System
- 1998 - Acquisition of KLOFFE
- 2000 - LFX launched
- 2001 - Merger of KLOFFE and COMMEX to form MDEX
- 2002 - Merger of MESDAQ with KLSE
- 2004 - KLSE converted into a public company limited by shares

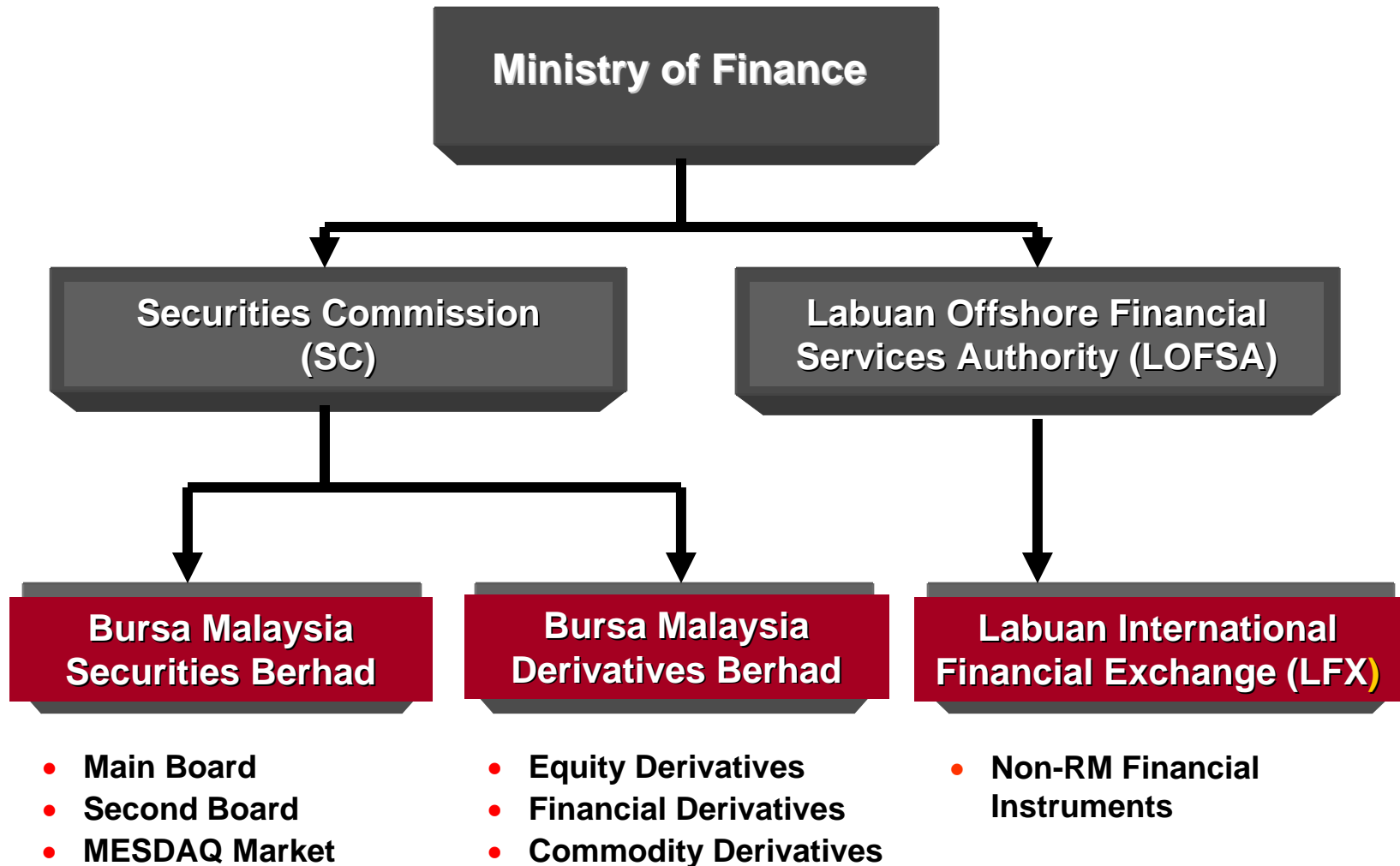
**KLSE is now known as BURSA MALAYSIA**

## Structure of Malaysian Financial System

Consist of 3 parts:

- **Banking** - commercial banks, merchant banks, finance companies, discount houses, off-shore institutions, Islamic bank, foreign representative offices located in Labuan
- **Non-banking financial intermediaries** - insurance cos, EPF, mortgage cos, factoring cos, joint venture cos, financial development institutions, LUTH, CGC, BSN, PNB, etc.
- **Financial market** - financial market and foreign exchange, capital market, commodity futures market and financial futures and options market

## Regulatory Structure



## Demutualisation : Transformation Process

### Previous Structure



- Company limited by guarantee
- Operating stock exchange

### Demutualisation

#### Milestone:

5 January 2004

#### Listed:

18 March 2005

### Present Structure



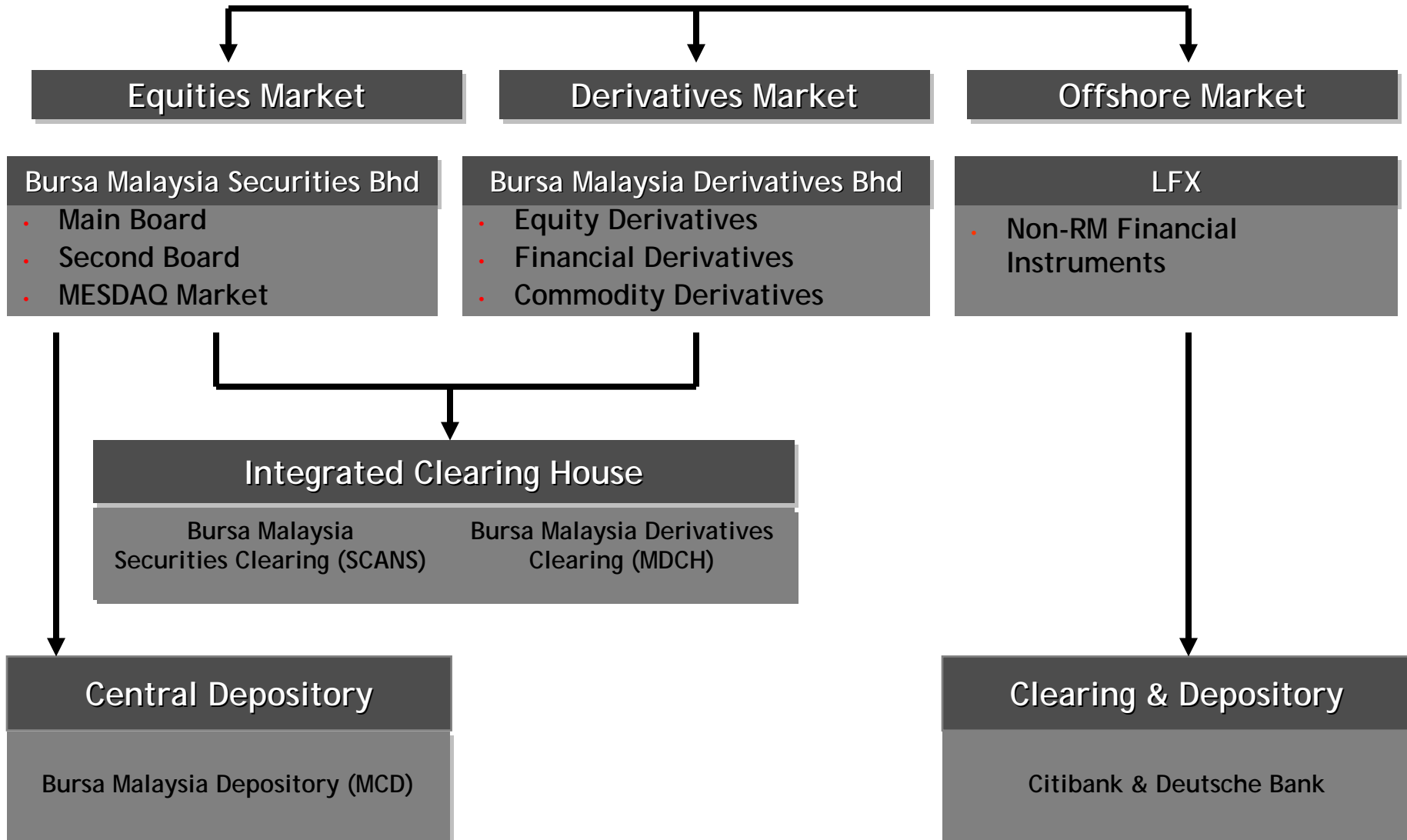
- Company limited by shares
- Exchange holding company

100%

### Bursa Malaysia Securities

- Company limited by shares
- Operating stock exchange
- Listing Requirements
- Business Rules

# Single Exchange Group





# Single Exchange Group

Total Market Capitalisation : USD212 bn (RM754 bn) @ 30 April 2009

## Equities Market

3 Markets:

- Main Board : 627 cos
- Second Board : 218 cos
- MESDAQ Market : 119 cos

- Trading
- Clearing
- Settlement
- Depository

## Derivatives Market

10 Derivatives Products:

- Commodity futures
- Equity futures & options
- Financial futures

- Trading
- Clearing
- Settlement

## Bond Market

5 Bond Instruments:

- M'sia Gov Securities\*
- Gov Investment Issues\*
- Central Bank Papers
- Cagamas Papers
- Private Debt Securities

- Order Matching\*  
(Trading)
- Negotiation
- Reporting

## Offshore Market

Financial instruments:

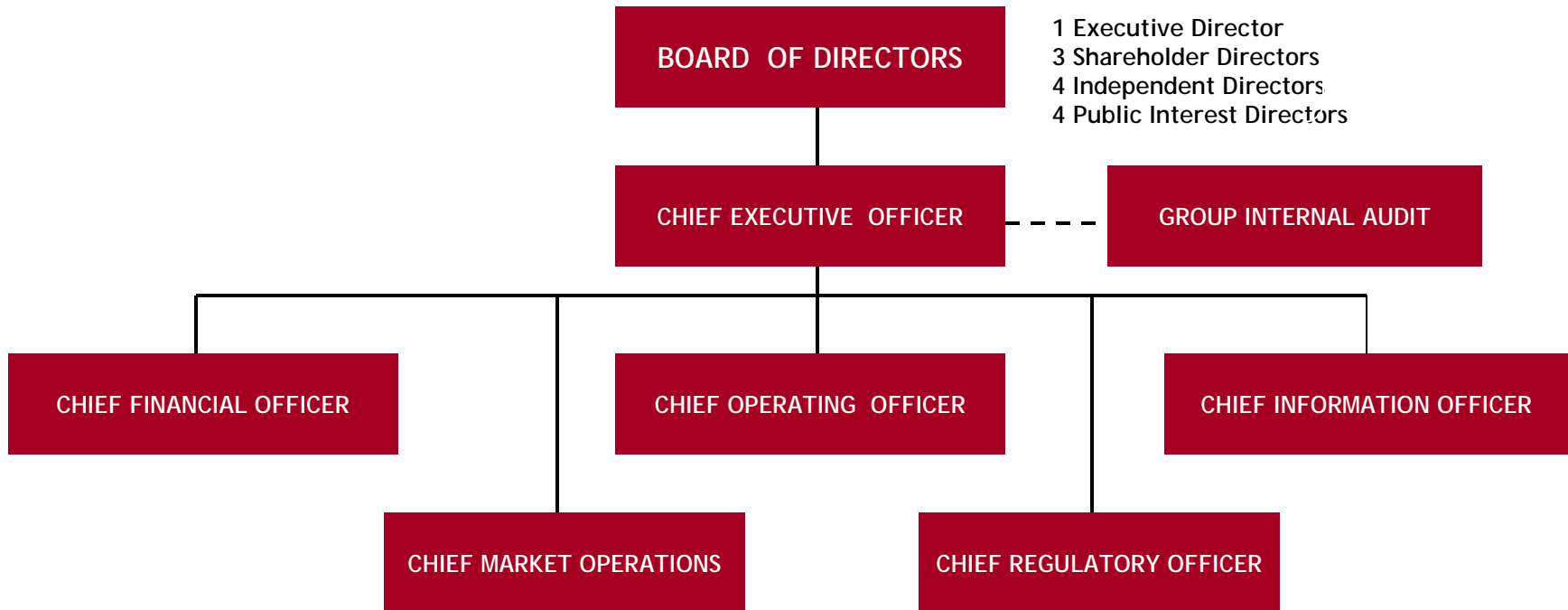
- Non-ringgit securities
- Islamic Sukuk cross listings

- Listing
- Clearing
- Depository

- Clearing & Depository by :
- Citibank & Deutsche

Integration Across Products and Services

# Organisation Structure



# Roles and Functions



# Regulatory Functions of SC and Bursa Malaysia

## - Some distinctions

Securities Commission	Bursa Malaysia
<ul style="list-style-type: none"> <li>• Statutory power - Securities Commission Act 1993 to investigate and prosecute</li> </ul>	<ul style="list-style-type: none"> <li>• Front-Line Regulator with powers derived from Rules &amp; Listing Requirements</li> <li>• Enforcement powers to the extent of imposing fines &amp; reprimands</li> </ul>
<ul style="list-style-type: none"> <li>• Administers Securities Industry Act 1983 to regulate Capital Market</li> </ul>	<ul style="list-style-type: none"> <li>• Supervision of stockbroking companies &amp; listed companies</li> </ul>
<ul style="list-style-type: none"> <li>• Approvals for IPOs and issuance of securities</li> </ul>	<ul style="list-style-type: none"> <li>• Approval for listing and quotation of securities</li> </ul>
<ul style="list-style-type: none"> <li>• Custodian for Malaysian Code of Take-overs &amp; Mergers 1998</li> </ul>	<ul style="list-style-type: none"> <li>• Regulates disclosure by listed companies</li> </ul>
<ul style="list-style-type: none"> <li>• Licensing authority for capital/securities market (e.g. stockbrokers)</li> </ul>	<ul style="list-style-type: none"> <li>• Admission of membership to the Exchange</li> </ul>

## **Roles of Bursa Malaysia Berhad**

- **Market Operator - provide facilities / infrastructure for capital raising and investment**
- **Front-line Regulator (FLR) - enforce rules and regulations to ensure:-**
  - **Orderly and Fair market**
  - **Secure, Efficient and Cost Effective**
  - **Investor Confidence**

# Investor Protection Measures

## Assurance of Trades

- |   |            |          |
|---|------------|----------|
| • Clearing Guarantee from Bursa Malaysia      | USD 105.3M | (RM400M) |
| • Compensation Fund of Bursa Securities       | USD 64.8M  | (RM246M) |
| • Compensation Fund of Bursa Depository       | USD 13M    | (RM 50M) |
| • Clearing Fund of Bursa Derivatives Clearing | USD 5M     | (RM 19M) |
| • Fidelity Fund of Bursa Derivatives          | USD 2.9M   | (RM 11M) |

## Ensuring Strong Intermediaries

Bursa Malaysia requires all participating organisation to meet all minimum standards that include:

### Operational aspects:-

- Separate Executive Director Dealing & Executive Director Operations
- Dedicated Compliance Officer
- Independent Internal Audit Department Reporting to Audit Committee

### Reporting Requirements:-

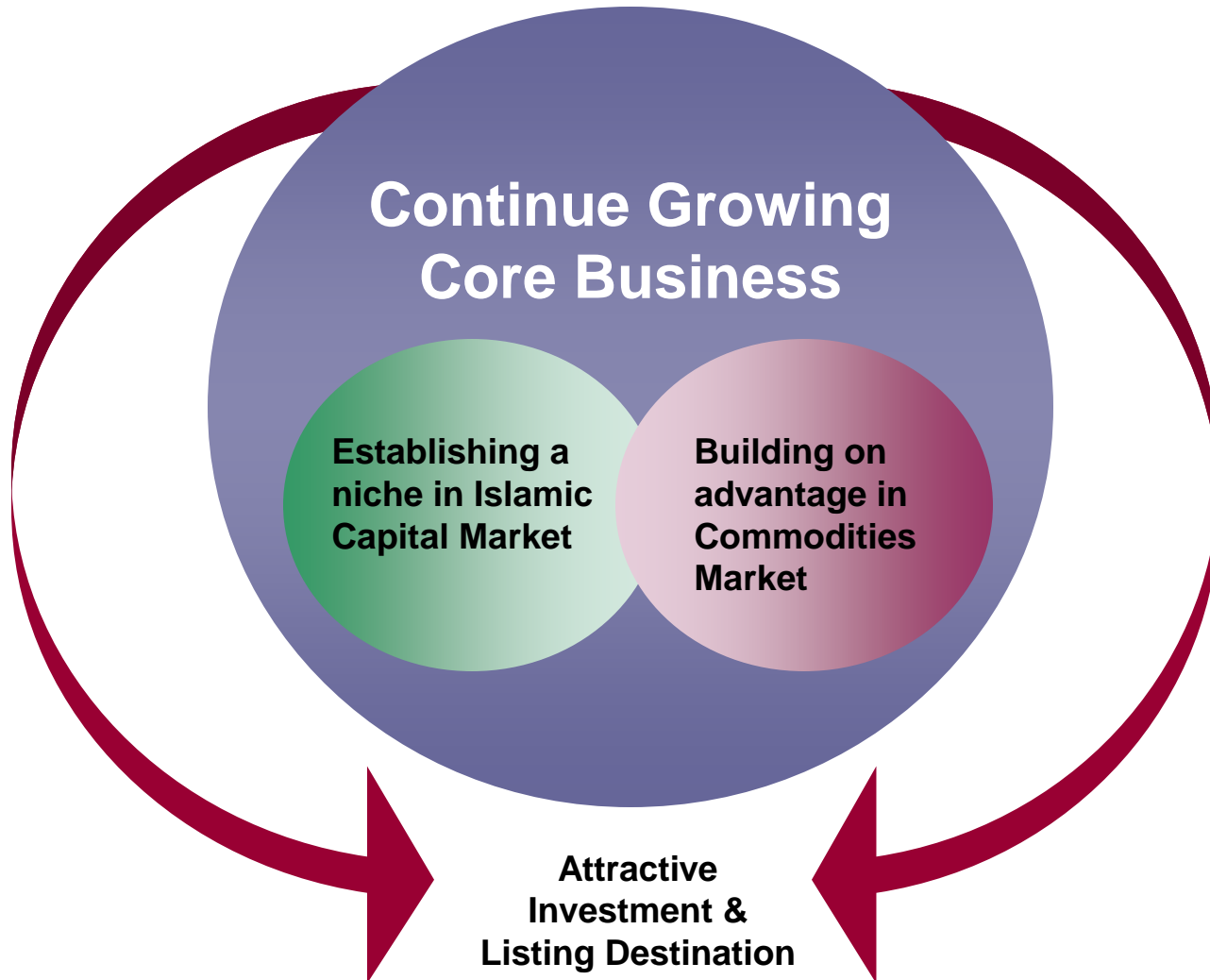
- Client Asset Protection Requirement (weekly basis)
- Capital Adequacy Requirement (daily basis)
- Gearing Ratio Requirement (weekly basis)
- Supervision of Interest & Provision for Bad & Doubtful Debts (monthly basis)

# Way Forward

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# Business Direction

*2009-2011 Focus*





# Key Focus and Initiatives

IMPROVING ACCESSIBILITY	NEW PRODUCTS & SERVICES	STRENGTHENING LIQUIDITY	INTERNATIONALISING MARKETS
Direct Market Access Derivatives	Islamic Products ( i-ETFs & i-Reits )	Continued Retail Education	KLCI Conversion to FTSE
Entry of 3 New Derivatives Trading Participants	Electronic Trading Platform	Market Making Framework	Multicurrency Securities Framework
Bursa Trade Securities	USD Crude Palm Oil Futures	Streamlining of Boards	Approval from Commodity Futures Trading Commission, US
Direct Market Access Equity	New Rules for Listing of Sukuk / Debt Securities	Restructuring of minimum bids/spread size	Asean Link
New licenses for 3 foreign brokers (1 approved)	Thematic Indices	More Proprietary Day Traders	
	* Bursa Commodity House		
	Multicurrency ETFs		
	New Index Linked Products		

Launched  
 In The Pipeline

□ \* Previously referred to as Commodity Murabahah House

# Building on Our Strength

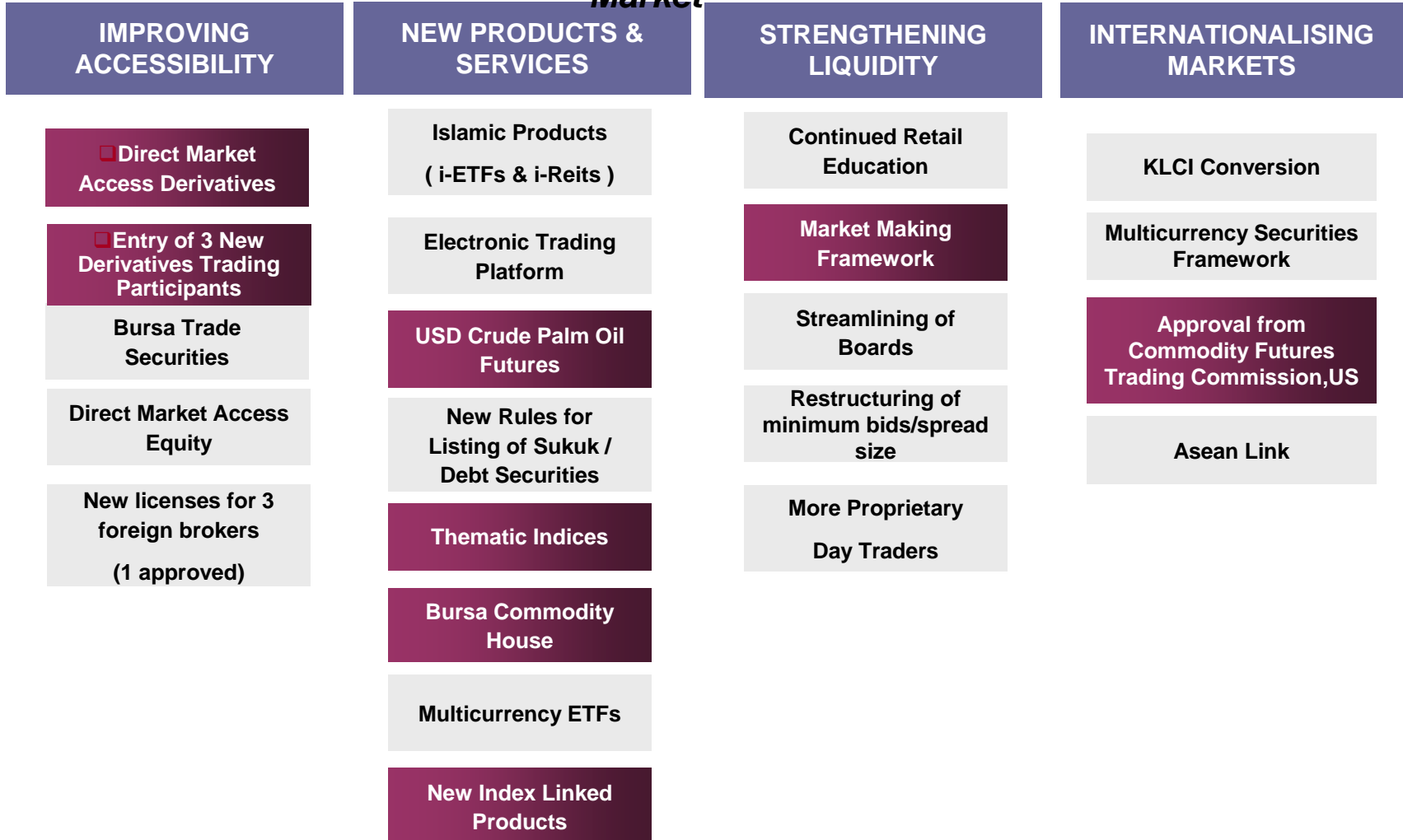
*Establishing a Niche in the Islamic Capital Market*

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# Building on Our Strength

Building on Advantage in the Commodities Market



\* Previously referred to as Commodity Murabahah House

# Islamic Capital Market



# The Malaysian ICM - Prelude

- Shariah-compliant stocks
- Islamic equity funds
- Islamic REITs
- Islamic index

**Islamic  
Equity  
Market**

**Islamic Bond  
Market**

- Islamic fixed income securities
- Sukuk ijarah, musharakah & mudharabah
- Islamic asset-backed securities
- Islamic bond funds

Shariah-compliant trading  
Shariah-compliant margin  
financing

**Islamic  
Stockbroking**

**Islamic  
Structured  
Products**

Dual currency structured  
investment  
Equity linked structured  
investment

**Shariah  
compliant  
derivatives**

- Crude Palm Oil futures
- Crude Palm Kernel Futures
- Single Stock Futures

## Overview of Islamic Equities in Malaysia

- One of Malaysia's traditional strength - diverse range of listed companies
- Has an attractive Islamic equity value proposition – close to 90% Shariah-compliant
- More companies going for IPO – voluntarily seeks SAC's determination of Shariah status
- Recognition of the premium that Shariah-compliancy status confers on PLC

## Importance of Shariah

### compliance

- Perception Management – a difficult task
- High chances of attracting GCC countries' funds
- Muslim investors more mature, expect not only in terms of returns, but also improved Shariah supervision & sustainability
- Poor recognition & improper address of Shariah compliance issues may hinder the progress of Islamic finance

## Needs of the market

- Investors and fund managers alike eye for innovative investment products – away from plain vanilla investments – the likes of structured products, REITS, ETFs, Alternative Investments & etc.
- Whereas Islamic Investors and Fund Managers seek an alternative to conventional financial products



## Shariah-compliant Securities

<i>Listed Stocks (end Nov'08) *</i>	
Shariah-compliant securities	855
Total Securities	980
Percentage of total	87%
<i>Market Capitalization (end Oct'08) **</i>	
	<i>(RM Billion)</i>
Shariah-compliant securities	416.5
Total Mkt Cap	655.3
Percentage of total	63.6%

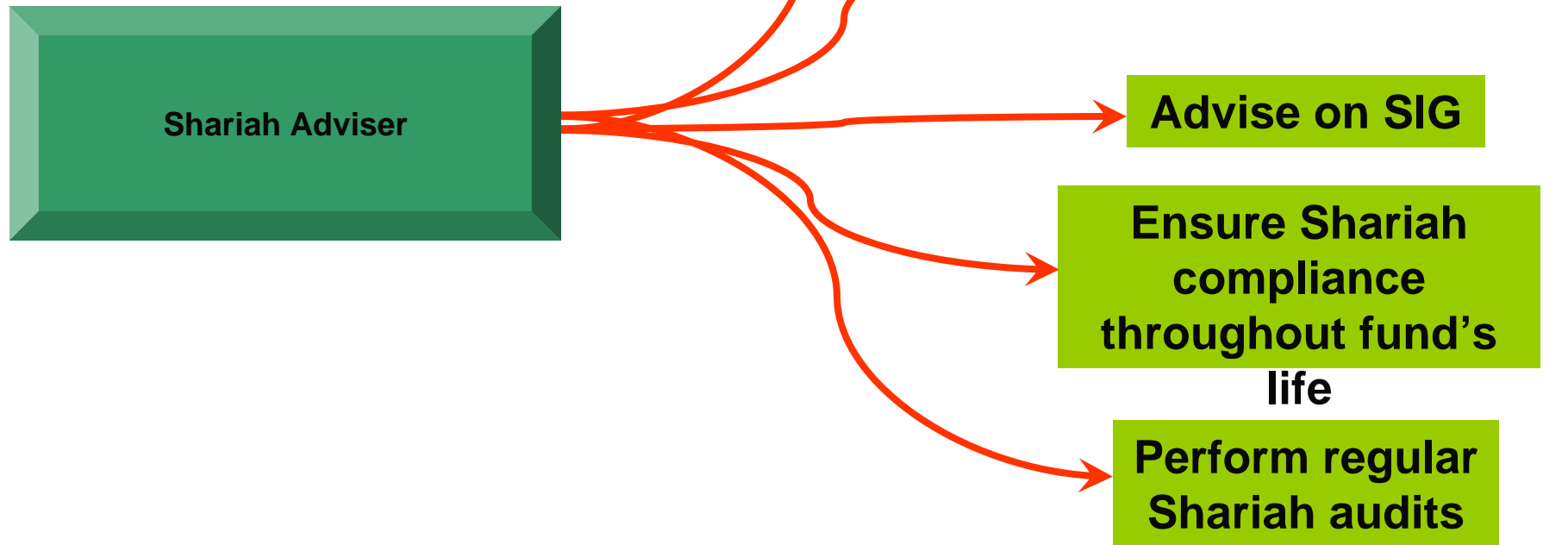
❑ *\* List of Shariah-compliant Securities by SACSC 28 November 2008*

❑ *\*\* Quarterly Bulletin of Malaysian Islamic Capital Market NOVEMBER 2008*

## Shariah-compliant securities on Bursa Malaysia as at 28 Nov 2008

Main Board / Second Board / Mesdaq	Shariah-compliant securities	Total securities	% of Shariah-compliant securities
Consumer Products	123	133	92
Industrial Products	286	297	96
Mining	Nil	1	Nil
Construction	51	54	94
Trading/Services	171	205	83
Properties	75	91	82
Plantation	39	44	89
Technology	100	102	98
Infrastructure	5	7	71
Finance	5	41	12
Hotels	Nil	4	Nil
Closed-end Fund	Nil	1	Nil
<b>TOTAL</b>	<b>855</b>	<b>980</b>	<b>87</b>

## Amongst the functions of Shariah Adviser



## Shariah investment guideline

- Specifies investments that comply with Shariah requirements
- Investment in business activities which do not involve the prohibited elements:
  - *Riba'* (usury/interest)
  - *Maisir* (gambling)
  - *Gharar* (uncertainty/ambiguity)
- Maintenance of Islamic accounts & funds segregation
- May include elements akin to ethical/SRI funds

## Shariah investment guideline

- Abstain from non-permissible activities
  - Financial services based on *riba*';
  - Gambling & gaming;
  - Manufacture or sale of non-halal products or related products;
  - Conventional insurance;
  - Entertainment activities which are non-permissible according to Shariah;
  - Manufacture or sale of tobacco-based products or related products;
  - Stockbroking & sharetrading in Shariah non-compliant securities;
  - Hotels & resorts; and
  - Other activities deemed non-permissible according to Shariah.

## (1) Primary Screening

**Core business  
activities  
are non-halal**



**STOP**

**Mixed business  
Activities;  
halal & non-halal**



**Proceed with  
secondary  
screening**

**Core business  
activities are halal**



**Proceed with  
secondary  
screening**