

MARKET CONSULTATION NO.1 FOR
BURSA MALAYSIA'S SECTOR CLASSIFICATION AND SECTORIAL INDEX REVAMP

PLEASE NOTE

The purpose of this Consultation Paper is to seek feedback on the proposed the Sector Classification and Sectorial Index revamp. The proposals contained in this Consultation Paper may or may not be implemented as the revamp initiative is still subject to Bursa Malaysia's management approval.

Bursa Malaysia ("Bursa Malaysia") invites your written comments on the issues set out in this Consultation Paper by 31 March 2018 via:

- E-mail : emd@bursamalaysia.com
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Respondents to this Consultation Paper are requested to use the reply format as stipulated in the Attachment.

Kindly contact the following persons if you have any queries in relation to this Consultation Paper:

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Please see our Personal Data Notice as set out in the Appendix to this Consultation Paper.

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1. PURPOSE

The purpose of the consultation is to solicit feedback from interested parties on the proposed changes to the Bursa Malaysia's sector classification and corresponding sectorial indexes.

2. BACKGROUND

The Bursa Malaysia Sectors Classification is a system that categorises securities listed on Bursa Malaysia into a set of predefined sectors to facilitate sector-based investment and analysis. A set of corresponding sectorial indexes is calculated and maintained in-house.

The last major revision in Bursa's Sector Classification was in 1993, when the "Industrial" Sector was sub-divided into Consumer Products; Industrial Products; Construction and Trading/Services. The Technology sector and index was introduced in 2000 to keep pace with the increase in the number of technology-based PLCs that were being listed.

3. RATIONALE

The rationale for the proposed changes is to elevate the existing sectors to be reflective of today's evolving businesses and global market trends, and to ensure better alignment with current businesses to increase visibility of sectors. Benefits to stakeholders are as follow:

- **For PLCs:**
 - To align the existing sectors to be reflective of global market trends;
 - Easing peer comparison and provide accurate measurement of performance between local and global competitors;
 - Inviting better research coverage as a result of categorization according to international standards, thus increasing visibility and profiling of PLCs
- **For Investors/ Fund Managers**
 - Refinement of the risk assessment at company, sector and industry level;
 - Greater granularity on the asset allocation for investment purposes;
 - Opportunity to create tradeable product (ETF, Unit Trust etc); and
 - Tracking of the sectors using local classification versus global classification that will incur higher subscription fees.

4. SECTOR CLASSIFICATION REVAMP DESIGN CONCEPT

Bursa Malaysia is proposing to revise the existing sector classification to a 2-tier classification, to offer more granular representation of PLCs' main business activities. The new classification will be aligned to internationally recognised standards, such as the Industry Classification Benchmark (ICB) and Global Industry Classification Standards (GICS), to allow for better scoping of sector analysis to pinpoint industry investment opportunities, in line with global market trends.

Once finalised, the Ground Rules and Methodology governing the new sector classification will be published on Bursa Website and Bursa Market Place to offer transparency, increase visibility and awareness and ultimately increase interest to track Bursa Malaysia's sectorial indexes.

The basis of how a PLC is assigned into a sector and sub sector will be as follows :

4.1 Assignment of Sector and Sub-Sector Based on Core Business

In determining the classification into any one of the sectors, a company will be classified into the sector which most closely fits its core business. The consideration used will be the revenue (from audited accounts) generated as well as the direction and future plan of the company.

4.2 Market Segment Serviced As a Determinant

For PLCs in the manufacturing and services industries, the segment of market that they services, ie, to End Users (Consumers) or Intermediate Users (Industrial Users) will determine if the PLCs are classified under "Consumer Products & Services" or "Industrial Products & Services".

4.3 Basis for Sector and Sub-Sector Creation

- there are ten (10) or more companies in the industry grouping/sector/subsector; or
- the market capitalisation for the grouping is five percent (5%) or higher of total market capitalisation/ total sector's market capitalisation.
- Sectors or sub sectors that do not fulfill the requirement stated above may also be created should there be a market demand, and this would be at the discretion of the exchange.

4.4 Changes in The Sector Classification Resulting From The Revamp

The changes will be as follows:

EXISTING	
No	Current Sector Classification
1	INDUSTRIAL PRODUCTS
2	TRADING/SERVICES
3	CONSUMER PRODUCTS
4	PROPERTY
5	TECHNOLOGY
6	CONSTRUCTION
7	PLANTATION
8	FINANCE
9	REITS
10	HOTEL
11	INFRASTRUCTURE PROJECT COMPANY
12	MINING
13	EXCHANGE TRADED FUND
14	BOND
15	SPECIAL PURPOSE ACQUISITION COMPANY
16	LEAP
17	CLOSED END FUND

NEW	
No	Proposed Sector Classification
1	INDUSTRIAL PRODUCTS & SERVICES
2	CONSUMER PRODUCTS & SERVICES
3	PROPERTY
4	TECHNOLOGY
5	CONSTRUCTION
6	PLANTATION
7	TELECOMMUNICATIONS & MEDIA
8	TRANSPORTATION & LOGISTICS
9	FINANCIAL SERVICES
10	ENERGY
11	HEALTH CARE
12	REITS
13	UTILITIES
14	EXCHANGE TRADED FUND
15	BOND
16	SPECIAL PURPOSE ACQUISITION COMPANY
17	LEAP
18	CLOSED END FUND

- 5 new sectors to be introduced
- 4 sectors to be deleted, companies in those sectors to be reclassified accordingly
- 5 sectors with no existing indexes are not affected

4.4.1 Five (5) new sectors will be introduced, namely

- a. Transport & Logistics
- b. Energy
- c. Telecommunications & Media
- d. Healthcare
- e. Utilites

4.4.2 Four (4) current sectors will be removed, namely

- a. Trading/Services
- b. Hotel
- c. Mining
- d. Infrastructure Project Companies

4.4.3 Existing sectors will also be renamed to better reflect the businesses of the PLCs.

- a. Consumer Products to Consumer Products & Services
- b. Industrial Products to Industrial Products & Services
- c. Finance to Financial Services

4.5 Subsector Details

Bursa is proposing to revise the existing single-tier sector classification to a 2-tier classification, ie, Sector and Sub Sector, to offer more granular representation of PLCs' main business activities.

No	Proposed Sectors and Sub Sectors	No	Proposed Sectors and Sub Sectors	No	Proposed Sectors and Sub Sectors
1	INDUSTRIAL PRODUCTS & SERVICES	5	CONSTRUCTION	12	REITS
1.1	AUTO PARTS	5.1	CONSTRUCTION	12.1	REAL ESTATE INVESTMENT TRUSTS
1.2	BUILDING MATERIALS	6	PLANTATION	13	UTILITIES
1.3	CHEMICALS	6.1	PLANTATION	13.1	ELECTRICITY
1.4	DIVERSIFIED INDUSTRIALS	7	TELECOMMUNICATIONS & MEDIA	13.2	GAS, WATER & MULTI-UTILITIES
1.5	INDUSTRIAL MACHINERY/EQUIPMENT	7.1	MEDIA	14	EXCHANGE TRADED FUND
1.6	INDUSTRIAL SERVICES	7.2	TELECOMMUNICATIONS EQUIPMENT	14.1	BOND FUND
1.7	METALS	7.3	TELECOMMUNICATIONS SERVICE PROVIDERS	14.2	COMMODITY FUND
1.8	PACKAGING MATERIALS	8	TRANSPORTATION & LOGISTICS	14.3	EQUITY FUND
1.9	WOOD AND WOOD PRODUCTS	8.1	PORTS	15	BOND
2	CONSUMER PRODUCTS & SERVICES	8.2	SHIPPING	16	SPECIAL PURPOSE ACQUISITION COMPANY
2.1	AGRICULTURAL PRODUCTS	8.3	TRANSPORTATION & LOGISTICS SERVICES	17	LEAP
2.2	AUTOMOTIVE	8.4	TRANSPORTATION EQUIPMENT	18	CLOSED END FUND
2.3	CONSUMER SERVICES	9	FINANCIAL SERVICES		Grand Total
2.4	FOOD/BEVERAGES	9.1	BANKING		
2.5	HOUSEHOLD GOODS	9.2	INSURANCE		
2.6	PERSONAL GOODS	9.3	OTHER FINANCIALS		
2.7	RETAILERS	9.4	SECURITIES		
2.8	TRAVEL, LEISURE & HOSPITALITY	10	ENERGY		
3	PROPERTY	10.1	ENERGY EQUIPMENT & SERVICES		
3.1	PROPERTY	10.2	OIL & GAS PRODUCERS		
4	TECHNOLOGY	10.3	OTHER ENERGY RESOURCES		
4.1	DIGITAL SERVICES	11	HEALTH CARE		
4.2	SEMICONDUCTORS	11.1	HEALTH CARE EQUIPMENT & SERVICES		
4.3	SOFTWARE	11.2	HEALTH CARE PROVIDERS		
4.4	TECHNOLOGY EQUIPMENT	11.3	PHARMACEUTICALS		

5. ISSUES FOR CONSULTATION

Issues For Consultation:

1. Do you agree with the initiative to revamp the current sector classification and the corresponding sectorial indexes?
2. Do you agree with the introduction of a two-tier structure, ie, Sector and Subsector?
3. Are there any concerns in the changes of the Sectors?
4. Do you have any feedback or comments on the categories and naming convention for the Subsectors?
5. Are the proposed sectors adequate to cater for business segments (including New Economy) of new companies to be listed on Bursa?

- End Of Consultation Paper -

Appendix 1:

Bursa Malaysia's Personal Data Notice In relation to the Personal Data Protection Act 2010 and in connection with your personal data provided to us in the course of this consultation, please be informed that Bursa Malaysia's personal data notice ("Notice") is available at www.bursamalaysia.com/personal-data-notice. Kindly ensure that you read and are aware of the Notice. If you are submitting personal data of an individual other than yourself ("data subject"), please ensure that prior to such submission, you have provided the data subject with written notice of the Notice unless section 41 of the Personal Data Protection Act 2010 ("PDPA") applies or Bursa Malaysia otherwise specifies in connection with the PDPA.

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