WORLD EXCHANGE CONGRESS
TUESDAY, 18 OCTOBER 2011

STOCK EXCHANGE CEO KEYNOTE ADDRESS
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Good morning,
Distinguished guests,
Ladies and gentlemen,

I would like to thank the organiser, and especially Robert Barnes, for this special invitation to the World Exchange Congress Asia. It is my pleasure to stand here before you to share my thoughts on how I view the Asian landscape for stock exchanges, especially given the current volatile and uncertain economic situation.

I am fully cognisant that the who's who of the Exchange world is represented here today and is well versed with the analysis and the statistics of the markets. Therefore, what I'd like to share with you today is how I see the strategy of exchanges moving forward, and how I see this being manifested from the Asian and emerging markets point of view.

I'd like to share an analogy used in the football arena. Sepp Herberger, manager of the West German national team which won the 1954 FIFA World Cup was a shrewd tactician. He infamously said, "The ball is round, so the game can change direction anytime". I think of this saying often. The game around us is indeed changing, and changing fast. So, the question to be asked is: What is the next move? Whatever that move may be, not making any is the wrong move.

Ladies and gentlemen,

It is fair to say that the current market climate demands constant reevaluation and close scrutiny on the effects of decisions made by policy makers in the West. What Asia is experiencing is the

impact of every decision made. We cannot tell from one day to the next, what direction the markets would take. As with the global financial crisis of 2008, the fast-growing emerging countries have once again been caught in the slipstream of another western market seizure.

However, the shift of dependence of growth has clearly changed, with the emerging and developing countries taking the lead over developed nations. Emerging economies such as the BRICs have been invited to propose solutions to this global situation and this shift lends strong credence to the weight emerging nations are having on the global economic front. Having said this, everyone is aware that there are no easy solutions to resolving the euro zone's debt problems, but a contribution to its stabilisation could still prove powerful to help relieve intensifying global financial stress. The emerging markets with their superior cash reserves, stable sovereign balance sheets, high domestic consumption, can at least try to cushion the impact somewhat. While growth in Asia has eased since the second quarter of 2011, the IMF has said domestic demand is still resilient and should continue to sustain activity across the region. I believe many investors still appreciate that emerging and developing countries have not yet saturated their growth potential and will balance their investment portfolios to reflect that potential.

So, while the emerging markets seem to have an advantage on global flow of funds, what are we doing to ensure that we continue to be the recipient of funds, and continue to grow?

Ladies and gentlemen,

We have in the past, and to an extent, in the present, patterned our business models against the successful, developed nations. Now, this archetype (typical model) is being questioned given that we have seen a breakdown of the fundamentals holding up the spirit of these business models.

Should we or should we not continue to adopt such models from those markets that we deem as standard bearers? I am not here to stand in judgment of whether we should or we should not. I believe there are strong merits as well as critiques in this argument.

Instead, what I would like to share with you is a view that is driven;

- not by our need to increase the bottomline, although that is always a plus point;
- not by our need to be the first, the one and only, the early innovator;
- not by our need to be internationally benchmarked, for whose benchmark is flawless?; and
- certainly not by the confines and limitations of our respective regulations;
- but by the needs and demands and wants of only one supreme stakeholder of all our businesses – **our customers**.

Ladies and gentlemen,

With markets being globalised and with boundaries blurred, our customers, which are the proverbial ball in the analogy I gave earlier, can move in any direction. Hence, are we keeping a close eye on where the ball is moving and are we changing our fields, and rules, and our directions to entice the ball to our corner of the goalpost?

So, let's take a moment to understand what our customers, our investors, want. In a nutshell, they want good pickings at low cost of entry in a protected, but not restricted market, with the potential for high returns. And they have the freedom of choice, a powerful thing. If your market does not offer them what they want, there is always another market that will.

Are we giving our customers what they want?

Traditional regulated exchanges are looking at keeping costs down and returns high for investors. As we keep an eye on similar marketplaces, we must be cognisant of the value proposition of alternative trading venues that offer cheap and fast alternatives, but perhaps, at the expense of some protection. The market is deeply fragmented, which is a clear cause of concern for us in the emerging markets in Asia. We are no longer insular, domestic markets. Boundary lines have been blurred. Our customers, our investors, have the luxury of trading in any market, any product and any jurisdiction that they want. It has become clear that in order for exchanges to progress, they can no longer remain isolated from development and international competition. This has led to many exchanges here in Asia moving into talks on

mergers and acquisitions and strategic alliances, in order to leverage on strength and to increase in size. But partnerships in its various forms will only bear results if clear value can be defined and created for our customers.

On the regulatory front, we see this role as guardianship for investors and maintaining of market integrity. Many developed markets are highly liberalised, but at what cost? We have seen the effects of the erosion of regulations, and confidence in the capital market, in fact, not too long ago with the crisis of 2008. The debates on deregulation quickly turned 180 degrees into making a case for more stringent regulations. It goes without saying that governance and integrity is critical for investor confidence, but we must also have a regulatory framework that allows businesses to thrive, and especially, allow our customers the ease of investing with assurance.

As drivers of exchange businesses, we all need to move fast, and we need our regulatory framework to move in tandem. We must protect our investors; there is no question about it. But instead of applying cookie cutter regulatory benchmarks from different jurisdictions, we need to study the dynamics of what our customers want, such as speed, access, freedom of limits, and factor protection against these values.

I believe that this can be achieved if we take a step back and ask the question of whether our customers are restricted from achieving their objectives. We should then study those restrictions and find, not just a balance, but a new way of thinking that allows customers to get what they want with ease, and at the same time ensure that their interests are protected and that there are governance measures in place. Ultimately, we all know that markets which possess a reputation for good corporate governance will draw even more investor confidence, which in turn attracts more investors and issuers to the capital market in what is a positive reinforcing cycle. Reputation is always the only one to stand tall when everything else falters.

This is also such a time that we should examine, or re-examine in some case, the Exchanges' business models against the need to build and grow new revenue streams in which our customers will participate in. At times like this, thought is naturally given to building greater stable revenue over variable revenue. Certainly this is a discussion of strategy, but where there

is even a smidge of an opportunity, I believe it warrants a deeper examination of feasibility and viability if it can contribute and grow your bottomline.

We should ask what is the direction that we should be taking in being a fund raising venue? Are we a trading exchange or a listing exchange? We are a scale-based business. Currently, there is some form of regulatory protection for most exchanges in Asia, which to a certain extent, shields us from competition. But at the end of the day, an exchange is just a market place and the barriers will come down as has been experienced by the emergence of alternative trading venues in Asia, some of which are represented here at this conference. Whilst exchanges are able to update themselves in terms of infrastructure, the low-cost model in which alternative trading venues operate is something that we struggle to contend with. As we work out the co-existence model, exchanges may need to decide if they are a listing exchange or a trading exchange and structure the pricing model accordingly. My view is that at this point we are both and we need to maintain our vertical integration of having post trade as part of the business.

Again, when we ask ourselves these questions, we need to know what exactly do our customers want.

Ladies and gentlemen,

I spoke earlier about the increased attention of investors to the emerging markets. Brazil, Russia, India and China, the BRICs, are arguably, the four fast-growing emerging economies with a combined 4.3 trillion US Dollars in hard cash reserves at their disposal, three quarters of it held by China.

When we speak of the Asian markets, we must recognise the two giants on the North and South of Asia. China, which stands at the North of Asia, is the world's second largest economy. Growing at an average annual pace of 10% in the past three decades, China has changed global patterns of production, trade and pricing.

On the South of Asia, India has come a long way since the 1990s. Asia's third-biggest economy has seen heady growth and the strong economic momentum is set to continue this fiscal year.

Straddling both these giants is a group of countries known as ASEAN. While small, they collectively make up in impressionable size and stature. The combined GDP growth of ASEAN is expected to average 6% annually over the next five years. And in the face of global financial volatility, these countries have shown tenacity, resilience and provided investors a safe haven.

Given these impressive statistics, the challenge we as a predominantly developing country cluster had, was in determining if there was a value proposition for our customers who want to participate in our growth. We figured that by combining our strengths and promoting ASEAN as a single identity of shared values and goals, we would be able to offer a compelling asset class that is big enough to wrest attention from the other giants. We needed to stand taller, and shout louder.

So in April this year, six countries from ASEAN, with more than 500 million people and a combined GDP of 1.8 trillion US Dollars, decided to transform themselves into a unified trading bloc comprising seven exchanges with over 3,000 listed companies. The ASEAN Collaboration comprises Malaysia, Singapore, Indonesia, Philippines, Vietnam and Thailand.

We are strategically located and are at a strategic point in time. In creating strategic value, we see the long term benefits of enhanced connectivity and accessibility. We see this link as important in enabling our markets to create greater ASEAN investment mobility amongst intermediaries and allow investors who want greater exposure to the fast growing ASEAN market. Ultimately, we believe that this link will be a conduit to drive greater liquidity and investment mobility into ASEAN.

In overcoming the challenges of growth, we recognised that we needed to be guided by value creation that takes into account the unique qualities of the different players. Would an equity merger with the respective exchanges give us the same results? Perhaps, but we could probably have still been at the drawing board today. A collaboration of this scale needed us to fast track to implementation to realise the benefits of creating a solid platform for growth.

This is the feedback we had garnered from our customers. They want visibility, access and ease of trading. We took standardisation of interconnectivity platforms between the respective markets, as part of the strategy for building accessibility, while respecting the autonomy of the exchanges. A common technology provider was appointed for the business-to-business, intra-ASEAN cross-border order routing and trading platform, that will electronically connect the markets of participating exchanges, and allow investors and broker members to access multiple markets via a single connection. We are at the development and implementation stage of this platform which we expect to see go LIVE sometime next year.

The ASEAN Collaboration certainly couldn't be done without the firm commitment of the participating exchanges. Herein lies another challenge that may be peculiar to some regions; the sovereignty of our exchanges as national assets. I could be taking a bold step by saying that in ASEAN, the stock exchanges are the country's national assets and therefore, the sovereignty of the exchange takes priority over its business obligations.

Perhaps this will change one day.

But suffice to say, all the participating exchanges went into this collaboration with the key objective of wanting to provide our customers with a compelling asset class with diversity of choice. The approach we took was innovative, in that we act as one asset class but without equity discussions. I am pleased therefore to see last week, at the World Federation of Exchanges meeting in Johannesburg, South Africa, the BRIC countries announcing a similar alliance. This drives home the point of the benefits of building strong asset classes for our discerning customers.

Ladies and gentlemen,

While I have your attention, it would be remiss of me if I did not tell you a little of what we are doing in Malaysia.

2011 has been a tremendously interesting year for us. As you would already know, Malaysia is in the midst of developmental and structural change through its Economic Transformation

Programme. Known as the ETP, it is designed to increase productivity to ensure sustained and robust growth in the long term. The game has been changing all around us, and that is why, our Honourable Prime Minister has set out very clearly the focused direction that Malaysia is taking in heading towards not just a developed status nation in less than a decade's time, but also a high-income, high-value nation. The next ten years holds much promise for us. The government has set the wheels in motion to achieve a capital market size of at least 1.4 trillion U.S. dollars by the year 2020.

On our capital market front, we are poised to move to the next level to support the national economic growth and meet challenges from competition and globalisation. Today, Malaysia has one of the most comprehensive capital markets in the region.

We too, realised early on, the value of alliances. We knew that on the derivatives front, Asia is being keenly eyed by various markets for the region's fast growing derivatives trading and clearing activity. The Futures Industry Association data show that the Asia-Pacific region overtook North America as the world's biggest futures and options market last year. The number of listed derivatives contracts traded in this region grew by 43% to 8.9 billion compared to last year. What this means is that 40% of the global listed derivatives volume came from Asia Pacific last year, compared with 32% for North America and 20% in Europe. Certainly the numbers tell us that this slice of the pie is set to grow. We, ourselves, were very cognisant that we needed to grow the derivatives segment in order to grow our revenue streams.

But we were a small market with giant ambitions. The playing field was changing, and we needed to change as well. Hence, we talked to giants. We have, since our equity partnership with the CME Group two years ago, seen an increase in trading participation and volume on our derivatives exchange. There is added visibility of our offerings to the global customer base. And we are confident that derivatives will be a strong key driver for our revenue in the coming years.

The game ahead of us in Bursa Malaysia is dynamic, as it is with all of you. We are challenging the way we do things today, so that we can ensure that we remain attractive to our customers tomorrow.

Ladies and gentlemen,

As I come to the close of my address, I would like to express my hope that all of us will have a fruitful time over the next two days, be it listening to the customers and investors, to know what it is that they want, or gaining an insight from the other exchanges on how they view their business, as well as gleaning from the regulators their forward looking views to help all of us grow. I also want to hear insightful thoughts on how I can make my market attractive to my customers.

The ball is round. Where do we want it to go?

Thank you.

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