

MARKETPLACE INNOVATION - IT'S ABOUT CREATING OPPORTUNITIES

THE 20th century was an era of innovation. But it can be argued that its single greatest innovation, the moving assembly line, appeared in 1913.

To a casual observer, it was nothing more than a sequential list of processes that were put on tracks. It seemed simple, but it sparked off the manufacturing industry.

Very quickly, we went from hand-made products to mass-produced consumer products. Over the next few decades, not only did this one innovation change entire economies, it shaped our daily habits and society.

It made it possible for a whole range of opportunities to be unlocked, and this innovation was the key. Even if you're going to ask "what about the Internet?", don't forget the device you might be reading this on was also made on an assembly line.

Through the agriculture, commodities, manufacturing, infrastructure, education and technology sectors, member nations seek to sustainably provide for upwards of 600 million people, now living on less than US\$12 a day.

These areas depend on steady investments and stability - in the market, economy, demand, pricing, etc. While they are very connected to the real economy and social development, they are also exposed to the shifting tides of global events.

How do we create the kind of innovation that will have the effect the assembly line had on economies and society?

How does it serve the needs of, and help transform the Asean? You'll find the answers in a number of Bursa Malaysia's niche sectors, namely our derivative offerings, the small and mid-cap sector and the Islamic capital market. Developing and promoting these seemingly unconnected sectors can serve the Asean and develop a sustainable and equitable base which will continue to fuel its economic miracle.

Let's start with derivatives offerings. Bursa Malaysia's FCPO (crude palm oil futures) have been a global benchmark for over 30 years. Together with other variants, it serves the palm oil industry - which is a major component in many of the foods consumed around the world - more than 80% of global palm oil output comes from Malaysia and Indonesia. Used well, derivatives provide value as well as helps build business stability and contribute to regional economic stability.

Further serving the needs of the Asean, we aim to serve its SMEs. These engines of growth are abundant and they are powered by a strong work ethic, a hunger for success and the connections to a "home-ground" market.

They require support to grow, and the capital market is a good partner for their ambitions. And for investors, think about it - our chances of finding the next unicorns are greater here as compared to expecting today's blue chips to deliver similar rates of growth.

Just for context, SMEs make up 97% of business establishments in Malaysia - contributing 37% of GDP, 65% of employment and nearly 18% of exports.

We created the LEAP market, the first of its kind in the Asean to help address the funding gap for SMEs. It supports the nation's SME masterplan which aims to raise the share of GDP they contribute. More opportunities and potential value are also found on the FTSE Bursa Malaysia MidS Cap Index and Syariah Index, introduced to track performance and generate interest, and the MidS Research Scheme, designed to elevate the profile of mid and small-cap companies. Together, they help investors and businesses participate and grow with the opportunities in this high-growth segment.

Another area of innovation is Bursa Malaysia's Islamic capital market. It leads the world in clearly showing how capital markets and finance can be a force for a greater good.

Here, listed companies must abide by ethical and debt-ratio level screenings. It excludes highly-leveraged firms and overly structured financial products - the kinds of investments that can turn toxic overnight and spark a crisis.

Equity-based, asset-backed and ethically-driven markets have proven to be more sustainable and resilient over time. By connecting to the real economy in a sustainable manner, it can drive the wider and deeper growth that the Asean economy requires while improving financial inclusion and social welfare.

Developments within this sphere include Bursa Suq Al-Sila' - the world's first end-to-end syariah-compliant commodity trading platform specifically designed to facilitate Islamic finance and enhance liquidity management for Islamic financial institutions.

A multi-currency, multi-commodity platform, it has participants from Europe, Asia-Pacific, the MENA region, Central Asia, Africa and South America.

There is also BM-i - the world's first integrated end-to-end Islamic securities exchange platform. These niche innovations were developed to match domestic needs, but have also proven to be credible answers in serving regional and global needs. They are the result of working from our strengths and expertise to develop products and services that have recognisable domestic, regional and global appeal.

This is how we see innovation - it is about creating the opportunities to imagine and participate in the value created from efforts to provide over 600 million people a better standard of life.

It will come from giving businesses access to equitable forms of funding, financial predictability by hedging through derivatives and having the opportunities and visibility a true-blue Asean unicorn will require.

There are many kinds of innovations. But like the example this piece started with, the most powerful ones are those that connect to the real economy, inspire and give rise to the next series of ideas small and large that have the potential to generate even more positive change.

We can't emphasise this point enough - time and space is needed to grow and build any market. It takes brave, unwavering and purposeful efforts to create innovation which delivers real-world opportunities for investors and businesses. It's what we do with it that will determine the kind of value we all can grow together.

About Datuk Seri Tajuddin Atan

Datuk Seri Tajuddin Atan is the chief executive officer of Bursa Malaysia. A seasoned banker before taking on the exchange's leadership role, he believes that innovation and creativity can tackle the fundamental changes facing nations, businesses and the capital markets of today.