

## THE EVOLUTION OF CAPITAL MARKET ECOSYSTEMS IN A CHALLENGING WORLD

WHEN I was young, I used to wander around the old Pudu market. My Cochrane schoolmate's father was on the municipal council managing it. It was a thriving market that served buyers and sellers of all shapes, sizes and economic ability.

What struck me was that each trader had the freedom to operate in exactly the way they needed. It was a part of the market culture - the fish mongers were in shadier parts of the market, had access to a ready supply of ice and the means to drain away what had melted. Just a row away, the vegetable stalls sprayed water on their produce, keeping things fresh.

The meat sellers wanted neither of those things, seeing that few people considered frozen meat fresh, and absolutely no-one wanted it wet either. The dry goods sellers wanted to be connected, accessible and yet, away from the mess. Amid this organised chaos, I saw this market grow through the years, and welcome new businesses - flowers, items for worship (like incense, joss sticks) and my childhood favourite - a small setup on the market's outer perimeter selling ornamental and fighting fish.

This observation stayed with me - the glue holding the market together and yet still pushing it forward was the result of its ecosystem. Every trader got what he or she needed to provide an attractive offer, and every buyer had an open view of all other offerings. They were all part of the ecosystem, and helped maintain the market's integrity. Few tried to manipulate the system, because news of transgressions spread quickly through a strong 'network of knowledge'.

After the crisis, we didn't double down on the rules. Counterintuitively, we began using assessment, engagement and advocacy as our main tools of change. We still do. It comes from a strongly-held belief that a developed market mentality depends on the maturity of all players, and not from the rules alone.

We designed our five-prong regulatory approach to encourage developed market behaviours - we educate, develop, supervise, engage and enforce. Each prong amplifies the others. Although we call it a "regulatory approach", it isn't centred around regulation - a more apt term is "market ecosystem development".

Of course, there are new challenges. These include rapid developments in technology, the pace of Asean economic development, and the changes facing the traditional economic powerhouses - key drivers of global demand for capital, commodities and services.

A vibrant ecosystem still sits at the heart of any capital market progress, but understanding the pace and quantum of change and its effects on society will determine the kind of thought must go into the efforts to evolve this ecosystem.

## Accessibility is everything

For our capital market to broaden its role as an economic growth engine, there is a need for the onboarding of more players. And not just more of the same, but a diversity of players, which in turn attracts a diversity of investors and issuers. Getting digitalisation right is another strong factor. In development are things such as online CDS account opening and informational services that will play well with online trading, analytics and other advanced features. It's not just about simple convenience - on a mobile it is a supercharged, always-on assistant with access to all the information you could possibly need.

Greater access brings greater diversity which breeds different types of competition, all running at the same time. Each player's risk appetite determines their trading strategy, thus improving liquidity that retail investors seek. Building this openness, forging alliances and strategic linkages allows for cross-border flows for fund-raising or investment - and also grows the market, creating the space for players such as hedge funds, local and foreign high frequency traders - and it demands that we develop the technology support systems, provide the right incentives and manage through appropriate regulations.

SMEs are the backbone of Asean economies. They are all about growth, and we see to it that the capital markets remain the efficient source of capital for them. They hold great potential in a region that has a deep-seated desire for economic growth and the social development that it brings. Moderating disclosure requirements helps make it easier and more cost effective for them to access capital and build visibility.

Our framework, approaches and practices are on par with international standards. They have delivered, and continue to do so. There is a high level of adherence to rules, with an increasing level and culture of self-regulation. The market is orderly, intermediaries are financially healthy, and capital-raising is efficient even in the secondary market. There is more to be done, but importantly, they must be in sync with the developments in this region, the times we live in and the technological advances that surround us. As we grow the value chain and make the market more efficient and effective - we create critical mass. Our balanced, consultative, robust and dynamic approaches are the key to regulating this evolving ecosystem.

The market I observed as a young lad may be long gone, consigned to a history that may be forgotten. In that space, we've gone from wet markets to supermarkets to online markets. But the lessons are evergreen. In an ecosystem, no single party can drive all change. All players have a responsibility to re-invest into the system to create a virtuous cycle - helping grow the market that helps them grow themselves. A vibrant, robust and profitable ecosystem that connects naturally to the real economy is a wonder of collaborative creation. A wonder that we are committed to building in this brave new world.

### **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.