

# Address by Magnus Bocker, CEO of SGX, at the 13<sup>th</sup> Annual General Meeting on 20<sup>th</sup> September 2012

Good morning Shareholders, Members of the Board,  
Management of SGX, Our Friends from the Media,  
Ladies and Gentlemen,  
A warm welcome to our 13<sup>th</sup> Annual General Meeting!

## INTRODUCTION

1. Let me start with some of last year's highlights, as well as the challenges and opportunities that lie ahead of us. I will then hand over to Chng Lay Chew, our new CFO who joined us in December, to take you through our financial performance for last year.
2. And last year was yet another challenging year for financial markets worldwide. Given such an environment, I am pleased that our performance was once again credible. Revenue held steady at close to \$650 million. Reported net profit was more or less unchanged at nearly \$300 million as we maintained cost discipline.
3. This result was achieved despite the fact that the stock market turnover here in Singapore declined over 20%. Our efforts to innovate and invest beyond our traditional stock market business really made a difference. Our non-stock market revenues were up \$37 million, largely driven by the increase of 16% in our derivatives volumes. Therefore, we held up very well compared to our peers in the exchange industry.
4. Therefore given our performance, the Board is recommending that the final dividend be kept at 15 cents a share, bringing total dividend to 27 cents a share, unchanged from the previous year. This means that we are once again paying out 99% of the reported profit.

## STOCK MARKET INITIATIVES IN THE YEAR

5. But the difficult environment we are in, is a strong reminder that we need to constantly continue to innovate and invest to stay relevant for the future.
6. One important investment last year was our Reach trading engine that went live in August. The Reach technology has not only given SGX one of the most sophisticated technologies in the world, it also allowed us to create new partnerships like the ones we have announced with ASX of Australia, Eurex out of Germany, London Stock Exchange, and New York Stock Exchange, all with the aim to draw more interest and volume from around the world into Singapore.
7. In June, we opened our connectivity hubs in Chicago and London, making it easier for our clients in those two cities to connect with us. This was also part of the Reach initiative that we announced two years ago.

8. And we have done more things to improve the attractiveness of our stock market. Following international standards, we kept our stock market open through lunch, something we started last year. We introduced new Minimum Bid Sizes to reduce your trading cost, and also Dual Currency Trading to give you the flexibility to invest in your preferred currency.

9. Then in July this year, we announced another important improvement. As the Asian Gateway we are, a feature we need for the future is Renminbi capabilities. It will grow in importance as ASEAN is expected to become China's No. 1 trading partner by 2015, with annual bilateral trade exceeding 500 billion dollars. Singapore and SGX are at the heart of ASEAN, and will therefore find RMB capabilities more important than ever before. I am pleased to report that as of July this year, SGX is fully ready to list, trade, clear and settle stocks denominated in Chinese Renminbi.

## **HIGHER REGULATORY STANDARDS HERE TO STAY**

10. But before I go on, I am the first to put up my hand in support of the highest regulatory standards and stringent scrutiny of listed companies, and that is regardless of where they come from or their pedigree. Last year, I spoke here about higher regulatory standards being the trend of the future. This is even more obvious today than a year ago. The future of SGX lies in raising the standards of regulation and governance, championing the interest of investors. With the trust of investors, we will always be an attractive financial centre. That is to be remembered.

11. So what have we done to raise the standards?

12. Last year, we enhanced our Listing Rules to strengthen Corporate Governance practices including new rules on the role of the Board and directors of listed companies. We also introduced a Sustainability Reporting Guide for our listed companies.

13. In July this year, we met market practitioners and stakeholders including the Association of Banks in Singapore (ABS) to set up a new working committee to review our Listing Manual.

14. And then in August just a month ago, we introduced new Mainboard admission standards for IPOs, and that is very important because it really shows our commitment towards higher regulatory standards in order for us to attract bigger companies to Singapore and to SGX.

15. When I read the papers this morning, I was very pleased to read in the Business Times that Singapore has once again come out top in a closely watched corporate governance survey. The survey examined 11 markets and more than 800 listed companies across Asia. It highlighted various regulatory changes made by the MAS and SGX in the last two years, and praised our efforts in showing a more consistent focus on improving corporate governance policies. I am therefore very happy that our efforts are being recognised, and I hope that you as shareholders, we will continue to have your support.

## **ROBUST RISK MANAGEMENT**

16. Apart from that, the trust and integrity of our market is also grounded in our ability to manage risks. Since the global financial crisis in 2008, there are more overnight positions in our derivatives market held with SGX than ever before, leading to a growth of our collateral

management revenues which grew 57% last year, showing the importance of a well-capitalized and strong clearing house.

17. And the trust in SGX was further shown in October last year, during the spectacular collapse of the large broking firm MF Global. We were one of the first exchanges to support clients in a very cumbersome situation, by identifying and transferring clients' positions and collaterals to alternative brokers very quickly, so that clients could continue their business unhindered. And all this time, we saw clients in some other clearing houses still scrambling for their collaterals, for their monies. This is why clients trust us as one of the best risk management centres in the world.

18. But we will not rest on our laurels. We have in the past year, and will in the year ahead, continue to add staff to our regulatory and risk management teams to ensure that we remain a leader in our industry.

### **INITIATIVES CONTINUE TO BE ROLLED OUT**

19. And I believe, as I said in the beginning, we must continue on the path of trust and innovation. The initiatives we take and products we develop will strengthen our Asian Gateway position and expand the breadth and depth of our revenues.

20. Most recently in August, we announced we bought 49% of the Energy Market Company so that we can enter the electricity trading market. Asia's growth and increasing demand for electricity and power make that very interesting for us.

21. And on Tuesday this week, two days ago, the ASEAN Trading Link was successfully launched between SGX and Bursa Malaysia, with the Stock Exchange of Thailand joining next month. This is the first step on a long journey to make our home market in Singapore more attractive to investors both from within and outside ASEAN.

### **RETAIL INVESTORS ARE IMPORTANT**

22. Other than overseas investors, we have seen and you will see us focus a lot of our energy on educating and engaging Singapore investors. This has already started. In collaboration with the National Library Board and MAS MoneySENSE, we have taken investor education to the heartlands, conducting education seminars in libraries all over Singapore, near where many of us live and making it much more accessible.

23. In January, eight months ago, we launched MyGateway, an SGX website, which now has over 100,000 subscribers. This month, we began SGX StockWhiz, an online stock investing competition which has already 11,000 participants. Through My Gateway and StockWhiz, we are making freely available information on investment products, market updates, and other things you should know when investing. I hope you all here and all our shareholders have a close look at that and engage as well.

### **CONCLUSION AND ACKNOWLEDGEMENT**

24. Looking back at our journey, we are clearly pushing the envelope in ensuring we are ready for the many challenges and opportunities on the horizon. We lead in technology and connectivity,

we invest in making our markets more attractive, and we are committed to improving regulatory standards and risk management.

25. Some of the things we do are already paying dividends. For example, more retail participation in the stock market and the growth in our derivatives market helped us to mitigate some of the impact of uncertainties arising from situations beyond our shores that we have seen over the last year.

26. And so the journey continues, and I need to say being here now for three years, I am very proud to be a part of this journey. Our future continues to be promising and your support as shareholders is invaluable to us, like the support from other customers, brokers, bankers, and other stakeholders. I am very grateful for your continued support and I trust we will have it in the years to come.

27. Finally, I would also like to thank all my colleagues at SGX for their unstinting commitment and their very high level of professionalism. I need to say, you are definitely a team I am very proud of. You have the highest of standards in a global comparison. And of course, to our Chairman and to our Board, you have my deepest appreciation for your counsel and stewardship of this company.

28. Thank you very much!