

Good morning shareholders, Board members, ladies and gentlemen,  
a warm welcome to our 15<sup>th</sup> AGM.

1. The year has gone by quickly and I am very honoured to be here to present the performance of last year. I will also present what we are doing to improve the Singapore stock market and build our long term success.
2. As you all know, SGX operates within an open economy here in Singapore. And Singapore being part of Asia, we are exposed to constant changes, we are used to volatility and sharp price movements, but also sometimes the reverse. With low volatility and small price movements, a situation when investors are less likely to transact to buy or sell, this means fewer transactions. For us as an exchange, this means lower revenue.

## **SOLID RESULTS IN A CHALLENGING YEAR**

3. We had a bit of both in FY2014. We experienced sharp price movements and higher volatility during the first quarter and extreme low volatility during the following three.

4. Against this backdrop, SGX reported a solid performance with a net profit of \$320 million last year. Though this is 5% lower than the year before, it is our 2<sup>nd</sup> best performance in 6 years. And this happened in a year when our stock market trading volume fell 22%. Our CFO Chng Lay Chew will discuss these numbers after me but let me share some highlights with you.
  - a. All our businesses last year grew, except our securities business.
  - b. Our derivatives business had a record year with 104 million contracts traded
  - c. Our listings business, our capital raising business, also grew with 535 capital raisings last year; 34 through traditional IPOs and 501 bonds listings. All in all, we at SGX helped the market to raise \$200 billion last year through the IPOs and bond listings.
  - d. Our market data business continued to grow and we saw our investments in developing high-speed market data and co-location services, which I have talked about before, paying off.
  - e. We began modernizing the technology used at our CDP.

In summary, we had a solid performance last year even though it was a tough one for the stock market.
5. We are therefore proposing a final dividend of 16 cents, a total dividend of 28 cents, which is the same as last year. The final dividend will be subject to your approval here today.

## **MODERNISING THE SECURITIES MARKET**

6. As investors in the stock market, I am sure you follow the developments in the market very closely. Volumes have been low, blue chip stocks are often out of reach for investors with less to invest, and liquidity is low in too many stocks which means you may not always be able to buy or sell your shares easily.
  
7. Rest assured we are aware of these issues and we are working very hard to resolve them. We are not alone; stock markets all over the world have experienced a decline in volume since 2008. But we at SGX are doing our best to turn this trend around for our market by taking a lot of actions. And I thought I will spend a few minutes to talk about these actions.
  
8. I have talked about our plans and ambitions at AGMs before. This year is no different. So what have we done over the last year? In February this year, we introduced dynamic circuit breakers. This is very important for the trust in our market at a time of sharp share price movements. In June, we reduced the clearing fee by nearly 20%. In June, we also added Liquidity Providers and Market Makers. They provide price quotes in order to make it much easier for investors to buy and sell. We are still in early days and the number of liquidity providers and market markets is still modest, and the number of stocks they covered is still limited. But we see a growing interest for liquidity providers and market makers to come to

our market, so I'm confident they will add a lot of value to our market over time.

9. Another initiative is the reduction in board lot size from today's 1000 shares to 100 shares. This will make it easier for investors to buy a wider variety of stocks especially shares that are priced above \$10 a share. And for those who are wondering, rest assured we are committed to a unit-share market. We just need to take one step at the time in order to get to a unit-share market. The reduced board lot sizes will be introduced in January next year.
10. In February, we consulted with MAS on various initiatives. One initiative that we have been consulting on and that we are on the way to introducing to improve market quality is the minimum share price proposal.
11. There are many reasons why we want to have a minimum share price. The most important is to address a lot of the risks associated with low priced stocks or penny stocks.
12. Few of our penny stocks get any research coverage. It therefore becomes very difficult for retail investors to do proper homework. We also know that most institutional investors who provide a lot of liquidity for us, generally don't invest in low priced stocks because of the risk associated with them. As such, having a minimum trading

price will benefit all of us as investors in this market and improve the overall quality of our market.

13. This change will not have an immediate effect. Our minimum share price proposal won't be introduced until March 2015, pending regulatory approvals and there will be a 1-time 1-year grace period from then. And following that, companies will have another 3 years during which they can take action. We at the exchange have been in touch with most of the companies whose share prices are below 20 cents and most of them are confident they can address the situation and meet the new standard.
14. Another consultation that we did with the MAS is to introduce three new Listing Committees to help us when it comes to bringing new companies to our market. This is to strengthen governance and transparency of our market, and this is important when we think of the future.
15. These are good examples of what we are trying in order to modernise our stock market and make it more attractive to buy and sell shares here.

## **BUILDING FOR LONG-TERM SUCCESS**

16. In addition to doing everything we can to tackle the challenges in the stock market, we are doing other things as well.
  
17. One strategy we have successfully executed on for a while now is to diversify and grow our business beyond the stock market. And I am happy to say some of these have shown good results when we look back.
  - a. For example, our derivatives business achieved record volume in FY2014 and we have doubled the volumes in the derivatives business from FY2010.
  - b. Our derivative product range has grown and now includes both commodities and foreign exchange. We should also remember that these initiatives will take time before we see the wins and good results. But we see them already. One great example is iron ore which was a contract we began clearing 5 years ago; we are already No. 1 in the world. Iron ore is the 2<sup>nd</sup> most traded contract in the world after crude oil. In FY2014, SGX cleared 408 million metric tons of iron ore, equivalent to 30% of all iron ore shipped globally. And this is double of what we did the previous year.
  - c. Other businesses like market data, issuer services and depository have also grown and now contribute to 37% of our revenues.

18. Like Singapore, SGX is becoming more and more international. You can now access through SGX the interesting Asian economies, China, India, Japan, but also more and more the ASEAN markets around us. You can, hedge your risks in Indonesia, Malaysia, and Thailand.
19. I would say we are for Asia what London is to Europe. But the challenge we have is how to stay relevant. How do we keep that position?
20. And as you all know, the answer always lies with how we serve our customers better, how we think ahead of our customers so that they will always find us in the right place at the right time. This is the way we did it with our Eurodollar contracts 30 years ago when the US dollar became globalised. Or the way did it with the Asian equity index futures, the Nikkei 225 contract, five years later, and what we did five years ago with the iron ore contract. We need to always try to look ahead, be innovative and try new things.
21. Looking ahead, one of the things you will see in the not-too-distant future is that we will add Chinese renminbi futures, Japanese yen and Thai baht as well. We will launch electricity futures and add more commodity products.

22. We will also help our companies to make it easier for them to communicate with you as investors, to do it in a more effective way by improving corporate services. One very practical effect for you as shareholders is that your dividend will come faster and easier.
23. At the same time, we are also growing all the players participating in our market. We today have 30 more brokers than we had 5 years ago. But there are 3000 brokers in Asia so I am looking at Sutat, who heads Sales & Clients as I say this, we have many, many opportunities to continue to grow.

## **DOING GOOD**

24. Also, when we look at all the things we do, it is also important to look at why we are doing it. The most important reason is to help companies to raise the money to help them to grow and take their innovations further, and to help investors to grow their investments.
25. In the case of helping investors grow their wealth, there are some signs that retail interest in our market is growing. We saw an increase of 22% when it comes to the number of accounts at Central Depository Accounts. We now have 1.6 million accounts at CDP. We have continued with our investor education programmes at SGX Academy, our own school. Last year, we ran programmes for 90,000 investors. That is almost 3 times the number in the year prior to that.



This is important and you will see that we are doing more and more things to help investors when it comes to education.

26. Despite our efforts, only about 8% of us here in Singapore actively invest in stocks which is about 1/2 the rate in Australia and 1/3 the rate in Hong Kong. Shareholders, this is where all of you can help us on the journey – talk to your family members, friends and colleagues about the importance of long term savings and how you have benefited from share investing.
27. Not only does SGX support investing in stocks, we also have Asia's largest number of listed bonds. SGX currently has 1,800 bonds listed on us of which 70% are from overseas. Our bond seasoning framework we proposed a few weeks back will help retail investors to access the bond market in a much better way than you can today.

## **SUSTAINABILITY**

28. As an exchange, besides playing the role of providing a platform for investment and capital flow, SGX is also a custodian for corporate governance and corporate responsibility.
29. Just as SGX ushered in the Code of Corporate Governance over 10 years ago, I believe we are well placed to also take the lead in encouraging sustainability. It is true that we in Singapore have done

well when it comes to governance. But governance is not the only component for long-term success of a company.

30. We, like much of Asia, lag behind the US and Europe when it comes to dealing with sustainability and sustainability reporting. We need to fundamentally change the way we promote sustainability among our listed companies. This will not only improve the overall quality of our companies but also will attract more capital to Singapore.
31. With more of our companies expanding regionally and internationally, there is also an urgent need for them to be part of this global sustainability drive. If not, the risk of being overtaken by competitors will happen much sooner than you expect.
32. So far we at SGX have been encouraged by the take-up of sustainability reporting among our listed companies, since we in 2011 issued a Sustainability Reporting Guide. We have organised workshops and seminars and developed an investor guide for shareholders like you.
33. In the longer term, SGX aims to become one of the most sustainable stock exchanges in the world to benefit both our listed companies and their investors.

## **INTRODUCING SGX STOCKFACTS**

34. Before I leave off, I would like to take you through something we introduced earlier this week.

(Presentation on StockFacts)

35. It's our new and unique SGX StockFacts. StockFacts is the result of suggestions and feedback from you and other investors about the need for research and facts on all our listed companies.

36. StockFacts covers all companies on both Mainboard and Catalist.

(click on each paragraph)

37. [sgx.com/stockfacts](http://sgx.com/stockfacts) requires no login and is accessible and free on your computers and on your mobile phone.

38. This is the main page where you can search for companies- either by name or stock code.

39. You can also search for stocks based on your search criteria using these sliders. What you see here are the 5 default criteria which you can customize... (click)... you can choose any 5 criteria from a total of 19 possible criteria ranging from market data, valuation, financials to what industry you are interested in.

40. Once you have selected the company you are interested in, you will be brought to the Company Snapshot page. At one glance, you can track a stock's performance, the company's financials, analyst estimates, and company news.
41. The price chart allows you to track the company's price and volume for up to 5 years. You can also view relevant company news which is annotated on the price charts.
42. Moving on from the price charts, we have key company data such as latest volume, day's high and low and the total market cap. You can click on the rest of the tabs to view Valuation, Financials and Ownership information.
43. Here, we have aggregated consensus recommendations for companies which to have recommendations, and the stock's target price from analysts around the world. You can also use the 8 investment tools to evaluate the stock accordingly.
44. If you are an investor keen on charting, you can further analyse and compare stocks by using our charting tool.
45. If you need a handy reference, you can easily download and print. StockFacts is updated daily so rest assured you will have the most updated information you need.

46. In summary, StockFacts allows you to customize search criteria, track a stock's performance, and download information at one click.

47. I think this is a great innovation. We are proud to be one of the few exchanges globally that provides a free of charge service like StockFacts. Please let us know what you think of StockFacts, what we should do differently. We welcome your feedback.

With that, dear shareholders, thank you very much.