

BROKER MANAGEMENT RATING REPORT

AKD Securities Limited

REPORT DATE:

December 21, 2017

RATING ANALYSTS:

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APPLICABLE

METHODOLOGY:

Broker Management Ratings 2017

<http://jcrvis.com.pk/docs/BMR201701.pdf>

Rating Category	Latest Rating
Broker Management Rating	BMR2++
Rating Rationale	The rating signifies strong regulatory compliance levels and client relationship management; sound internal and external control framework and HR & IT services along with adequate risk and financial management.
Rating Date	20 December, 2017

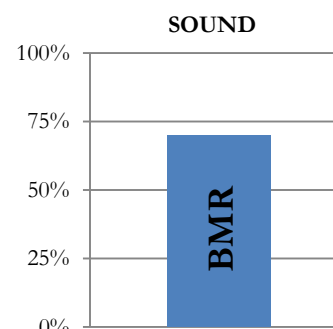
COMPANY INFORMATION

Incorporated on 16th May 2007	External auditors: Riaz Ahmad and Co. Chartered Accountants
Public Unlisted Company	Chairman of the Board: Mrs. Hina Junaid
Key Shareholders (with stake 5% or more):	Chief Executive Officer: Mr. Muhammad Farid Alam, FCA
Aqeel Karim Dhedhi Securities (Pvt.) Limited: 100%	

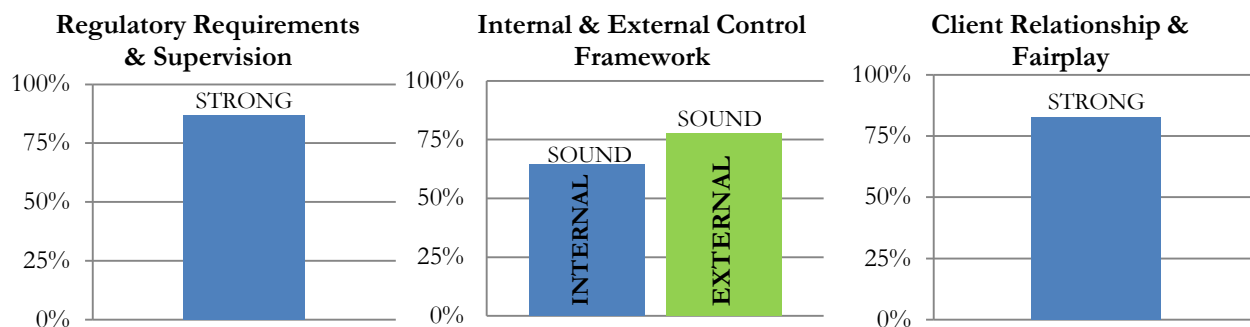
Corporate Profile

AKD Securities Limited (AKDSL) was incorporated in 2007 under the Companies Ordinance 1984 as a public limited company. AKDSL is primarily engaged in corporate advisory and equity brokerage. The company, through direct and beneficial ownership, is a wholly-owned subsidiary of Aqeel Karim Dhedhi Securities (Pvt.) Limited (AKDSPL). AKDSPL operates in several sectors including financial services, infrastructure, manufacturing and natural resources.

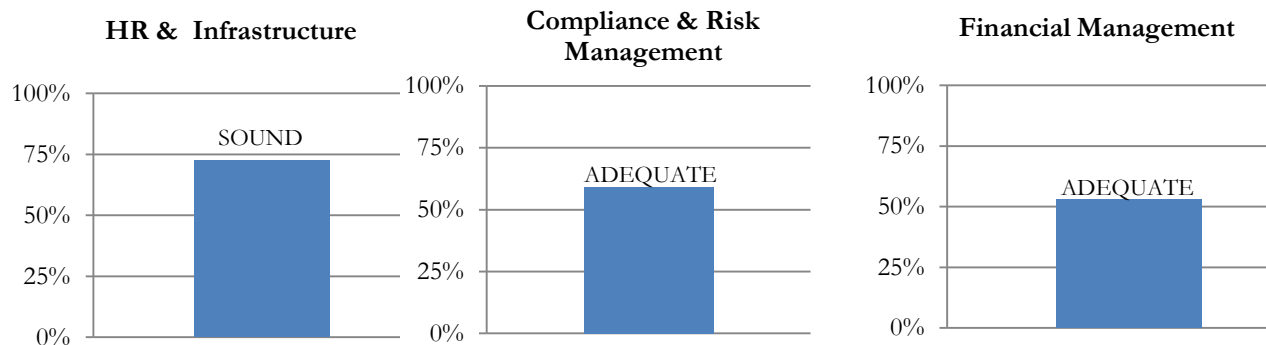
AKDSL are holders of Trading Right Entitlement Certificate (TREC) issued by PSX. External auditors of the company are Riaz Ahmad and Co. Chartered Accountants. Auditors belong to category ‘A’ on the approved list of auditors published by the State Bank of Pakistan (SBP).



Rating Factors Scores



- Board composition has room for improvement in terms of size. This will enhance board oversight and reduce duplication of board members in committees. Two directors are common in BAC and Investment Committee causing potential for conflict of interest.
- 1/3rd independent directors on the Board is consistent with international best practices. Furthermore, directors' training needs to be introduced.
- Broad coverage of internal audit and compliance policy is available in the combined document. However, these aforementioned documents may be made independent for clarity and control purposes. Furthermore, greater documentation in review process needs to be under taken to enhance internal control.
- Employee trading policy and conflicts are sufficiently defined. Holding periods may be made longer for better management of conflict of interest.
- Quality of external auditor is considered sound. Room for improvement in KYC is available.
- System for customers order execution and its reporting is sound.
- Client handling, services are comprehensive and well-managed. Continuity of the same would be considered important.



- The organizational structure is well defined.
- All key management positions are filled by experienced resources.
- Internal audit and compliance departments need to be segregated for better organizational checks.
- Trade review policies and procedures may be more frequently reviewed.
- A well-defined proprietary trade policy may be developed to manage market risk.
- A healthy growth in brokerage income is exhibited in FY17; however fall in consultancy and underwriting income has curtailed revenue growth.
- With the reduction of advance against share capital and remeasurement of AFS investments, the leverage indicators have weakened on a timeline basis.
- The operational efficiency has room for improvement.

JCR-VIS Credit Rating Company Limited

RATING SCALE & DEFINITIONS: BROKER MANAGEMENT RATING

BMR1A

Excellent regulatory compliance, control environment, and financial management; governance and risk management frameworks are extremely effective; HR, IT, and customer services are strongly proactive.

BMR1++, BMR1+, BMR1

Strong regulatory compliance, control environment, and financial management; governance and risk management frameworks are highly effective; HR, IT, and customer services are highly proactive.

BMR2++, BMR2+, BMR2

Sound regulatory compliance, control environment, and financial management; governance and risk management frameworks are effective; HR, IT, and customer services are proactive.

BMR3++, BMR3+, BMR3

Adequate regulatory compliance, control environment, and financial management; governance and risk management frameworks are satisfactory; HR, IT, and customer services are adequate.

BMR4++, BMR4+, BMR4

Inadequate regulatory compliance, control environment, and financial management; governance and risk management frameworks need improvements; HR, IT, and customer services are insufficient.

BMR5

Weak regulatory compliance and business practices

Rating Outlooks:

The three outlooks 'Positive', 'Stable' and 'Negative' qualify the potential direction of the assigned rating(s). An outlook is not necessarily a precursor of a rating change. Refer to our 'Criteria for Rating Outlook' for details. www.jcrvis.com.pk/images/criteria_outlook.pdf

JCR-VIS Credit Rating Company Limited

Technical Partner – IIRA, Bahrain | JV Partner – CRISL, Bangladesh

REGULATORY DISCLOSURES		Appendix II		
Name of Rated Entity	AKD Securities Limited			
Sector	Brokerage			
Type of Relationship	Solicited			
Purpose of Rating	Broker Management Rating (BMR)			
Rating History	Rating Date	Rating	Rating Outlook	Rating Action
	RATING TYPE: BMR			
	12/20/2017	BMR2++	Stable	Initial
Instrument Structure	N/A			
Statement by the Rating Team	JCR-VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on management quality only and is not a recommendation to buy or sell any securities.			
Probability of Default	Not Applicable			
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