

BROKER MANAGEMENT RATING REPORT

Intermarket Securities Limited

REPORT DATE:

22, June 2022

RATING ANALYSTS:

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APPLICABLE

METHODOLOGY:

Broker Management Ratings 2020:

<https://docs.vis.com.pk/docs/BMR202007.pdf>

Rating Category	Latest Rating
Broker Management Rating	BMR2+
Rating Rationale	The rating signifies adequate regulatory compliance levels and financial management, sound internal controls, compliance and risk management framework, HR, IT and client management while external control environment in considered strong.
Rating Date	22 June, 2022

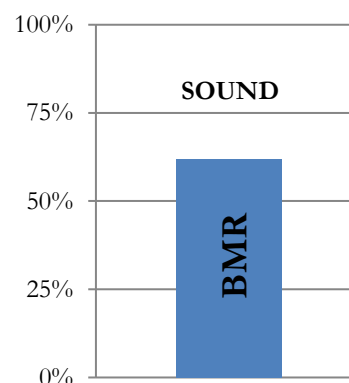
COMPANY INFORMATION

Incorporated on September 2002	External auditors: Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants
Public Un-Listed Company	Chairperson of the Board: Mrs. Erum Bilwani
Key Shareholders (with stake 5% or more): <i>Mrs. Erum Bilwani ~ 51%</i>	Chief Executive Officer: Mr. Wajid Hussain
<i>Mr. Muhammad Uraib Azneem Bilwani ~ 49%</i>	

Corporate Profile

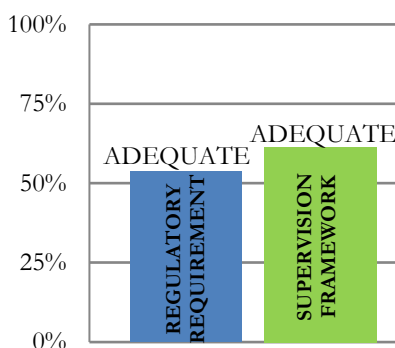
Intermarket Securities Limited (IMSL) operates under the umbrella Intermarket Group (IMG), a business conglomerate with stakes in wide range of sectors across Pakistan, including construction, information technology and external trade and financial services. IMSL primarily provides brokerage services for domestic and international retail and institutional clients. IMSL operates as the financial, equity research and corporate advisory arm of IMG.

IMS is registered with Securities & Exchange Commission of Pakistan and holds Trading Rights Entitlement Certificate (TREC) issued by Pakistan Stock Exchange Limited (PSX). External auditors of the company are Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants. Auditors are on the approved list of auditors published by the State Bank of Pakistan (SBP).



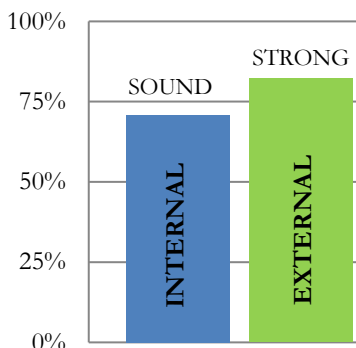
Rating Factors Scores

Regulatory Requirement & Supervision Framework



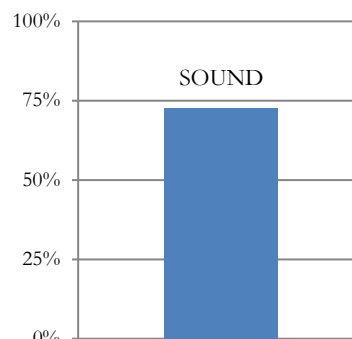
- At present, the Board is represented by four members with one independent member representation. Increasing the size of the Board may facilitate formation of independently represented Board committees without repetition.
- Governance framework of the company may be further strengthened through addition of certified members on the board.

Internal & External Control Framework



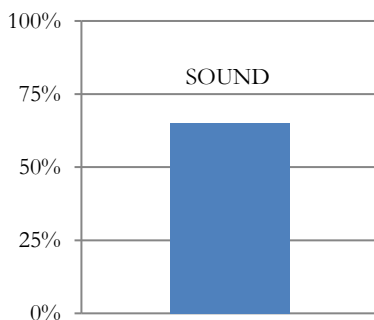
- Scope of internal policies may be enhanced for better controls. Overall internal control framework remains sound.
- Disclosure levels may be enhanced through inclusion of CEO's statement and Statement of Compliance with code in company's annual financial statements.

Client Relationship & Fairplay



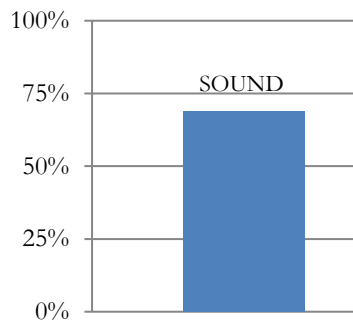
- Complaint management tools may be further improved through greater visibility.
- Similarly, client servicing methods may be enhanced through availability of research reports and disclosure of commission rates on the website.

HR & Infrastructure



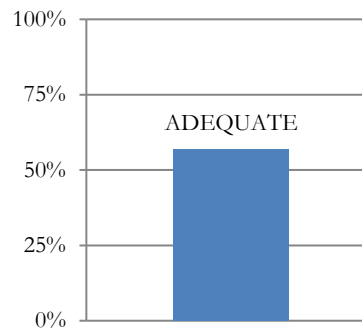
- HR infrastructure of the Company is compatible with the size of the Company's operations.
- Disaster recovery (DR) practices are exercised only once a year while data backup is under own control. The same may be improved by increasing DR exercises and having additional off-site data backup locations.

Compliance & Risk Management



- Some observations of margin compliances in client accounts were observed by PSX. These need to be rectified, going forward.

Financial Management



- During FY21, the Company's earning profile witnessed significant improvement on account of increase in core brokerage income.
- However, brokerage volumes remain subdued in HFY22 impacting profitability of the Company.
- Capitalization indicators remain sound, albeit increasing on a time line basis.
- Liquidity profile is adequate. Liquid asset provide more than 100% coverage to liabilities
- Market risk remains manageable.
- Operational efficiency has room for improvement.
- Going forward, increasing market share, while improving operational efficiencies along with maintenance of capitalization indicators will remain important for rating.

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.vis.com.pk/images/criteria_outlook.pdf

REGULATORY DISCLOSURES**Appendix II**

Name of Rated Entity	Intermarket Securities Limited			
Sector	Brokerage			
Type of Relationship	Solicited			
Purpose of Rating	Broker Management Rating (BMR)			
Rating History	Rating Date	Rating	Rating Outlook	Rating Action
	<u>RATING TYPE: BMR</u>			
	6/22/2022	BMR2+	Stable	Reaffirmed
	4/7/2021	BMR2+	Stable	Upgrade
	3/5/2020	BMR2	Stable	Reaffirmed
	12/14/2018	BMR2	Stable	Reaffirmed
	10/6/2017	BMR2	Stable	Initial
Instrument Structure	N/A			
Statement by the Rating Team	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 credit quality only and is not a recommendation to buy or sell any securities.			
Probability of Default	VIS' ratings opinions express ordinal ranking of risk, from strongest to weakest, within a universe of credit risk. Ratings are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular debt issue will default.			
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