Latest Rating

BMR2

The rating signifies sound regulatory compliance

levels, internal and external controls and risk

relationship management, HR & IT services and

October 6, 2017

with

adequate

client

along

# **BROKER MANAGEMENT RATING REPORT**

# **Intermarket Securities Limited**

**Rating Category** 

**Rating Rationale** 

Management

Broker

Rating

### **REPORT DATE:**

October 11, 2017

### **RATING ANALYSTS:**

Muniba Khan muniba.khan@jcrvis.com.pk

### APPLICABLE **METHDOLOGY:**

Broker Management Ratings Rating Date 2017 http://jcrvis.com.pk/docs/BMR201701.pdf

COMPANY INFORMATION		
Le some secto d' en Santambar 2002	External auditors: Rahman Sarfaraz Rahim Iqbal	
Incorporated on September 2002	Rafiq, Chartered Accountants	
Public Limited Company	Chairman of the Board: Mr. Azneem Bilwani	
Key Shareholders (with stake 5% or more):	Chief Executive Officer: Mr. Shehzad Moosani	
Azneem Bilwani – 90%: Muhammad Iaved Moti – 10%		

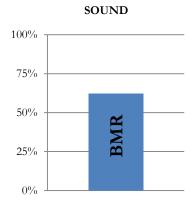
management

financial management.

# **Corporate Profile**

Intermarket Securities Limited (IMSL) was incorporated on September 6, 2002 under the Companies Ordinance 1984 as a private limited company. IMSL came into creation through the acquisition of ING Barings Pakistan's (INGBP) business operations. INGBP, the brokerage and corporate advisory arm of Barings Bank decided to withdraw its physical presence from the sub-continent in 1998 due to lack of profitable business ventures. In 2009, it was subsequently converted into a public limited company. IMSL is now the flagship company of Intermarket Group (IMG). IMG is diversified in several business sectors including corporate advisory, construction, real estate and information technology.

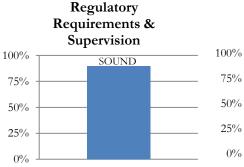
The company holds a Trading Right Entitlement (TRE) certificate issued by the Pakistan Stock Exchange Limited (PSX). Shareholding of the company is held between two individuals; Mr. Azneem Bilwani owning 90% of the company and the remaining 10% belonging to Mr. Muhammad Javed Moti.



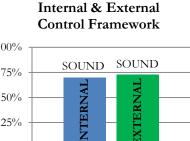
# JCR-VIS Credit Rating Company Limited

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

### **Rating Factors Scores**



- Fulfillment of membership and licensing requirements for Trading and Self-Clearing activities is considered sound
- Capital Requirements and Fulfillment depict significant cushion against its existing liabilities
- Presence of independent director on the Board and Board's selfevaluation would add to corporate governance standards
- Constitution of Board level Risk Management committee and chairing of Board Audit committee by an independent director would enhance corporate governance



- Quality of external auditors and focus on KYC is sound
- Internal control policies and framework could be further strengthened with more frequent reviews and greater documentation
- Conflict of interest policy needs to be signed by employees in order to strengthen controls
- Disclosures to public is considered adequate but may be developed further to include director's report and CEO statement

### Client Relationship & Fairplay



- Execution and reporting to clients is considered adequate
- A risk disclosure document, although signed by all customers, may be made more comprehensive
- Along with online reporting, the customers may be provided with day end reports containing information regarding handling of securities, receipts and payments and holding balances of customer's assets
- Process for customer grievances, though in place, may be improved upon by adding a customer complaint section with greater visibility

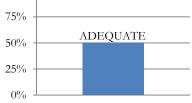
### Financial Management



- Growth in core revenue base i.e. brokerage income is sound
- Revenue support form volatile capital gains is also significant
- Leverage indicators are above 1x mark
- Continued focus on enhancement of core income, liquidity management and monitoring of efficiency levels would drive capitalization levels, going forward

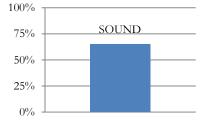
# HR & Infrastructure

100%



- A well-defined organogram is in place with all key positions filled
- Sound professional management is observed
- Business continuity needs to be strengthened through maintenance of offsite records and more frequent DR exercises
- Periodic external review of technological infrastructure would further strengthen operational efficiency

Compliance & Risk Management



- Compliance, Internal Audit and Risk Management functions are independently placed
- Adherence with regulations is considered satisfactory
- Running of proprietary book is not in line with best practices for a brokerage house
- Tighter credit limits to retail and greater proportion of IDS clients would have a positive impact on operational risk management

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

# MANAGEMENT QUALITY SCALE & DEFINITIONS

Appendix I

# 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.

# 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.

### 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.

### 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.

### 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.

#### BMR5

regulatory compliance, control Weak regulatory compliance and business ment, and financial management; 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

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

<b>REGULATORY I</b>	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		
	RATING TYPE: BMR					
	10-6-2017	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 credit quality only and is not a recommendation to buy or sell any securities.					
Probability of Default	JCR-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.					
Disclaimer	Information herein was obtained from sources believed to be accurate and reliable; however, JCR-VIS does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. JCR-VIS is not an NRSRO and its ratings are not NRSRO credit ratings. Copyright 2017 JCR-VIS Credit Rating Company Limited. All rights reserved. Contents may be used by news media with credit to JCR-VIS.					