

BROKER MANAGEMENT RATING REPORT

Intermarket Securities Limited

REPORT DATE:

12 March, 2020

RATING ANALYSTS:

Muhammad Tabish

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APPLICABLE
METHODOLOGY:

Broker Management Ratings 2017

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

Rating Category	Latest Rating
Broker Management Rating	BMR2
Rating Rationale	The rating signifies strong external controls; sound risk and client relationship management and internal control environment. Regulatory compliance levels, HR & IT services and financial management are considered adequate.
Rating Date	5 March, 2020

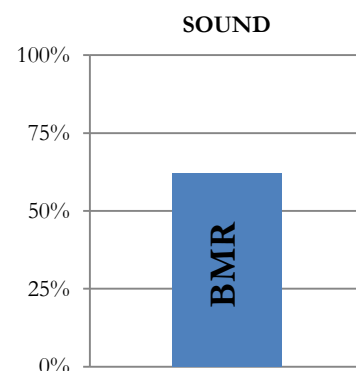
COMPANY INFORMATION

Incorporated on September 2002	External auditors: Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants
Public Un-Listed Company	Chairman of the Board: Mr. Azneem Bilwani
Key Shareholders (with stake 5% or more):	Chief Executive Officer: Mr. Wajid Hussain
Azneem Bilwani ~ 90%	
Muhammad Javed Moti ~ 10%	

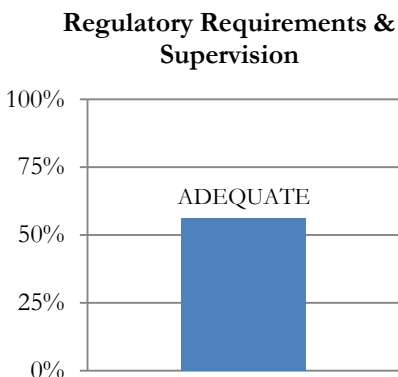
Corporate Profile

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.

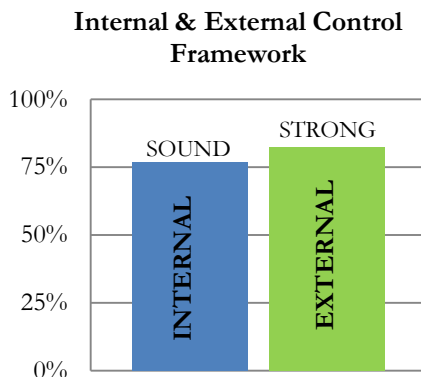
IMS is registered with Securities & Exchange Commission of Pakistan and holds Trading Rights Entitlement Certificate (TREC) issued by Pakistan Stock Exchange Limited (PSX). 90% shareholding of the company is held by Mr. Azneem Bilwani (Chairman of the Board) while the remaining 10% is held by Mr. Muhammad Jawed.



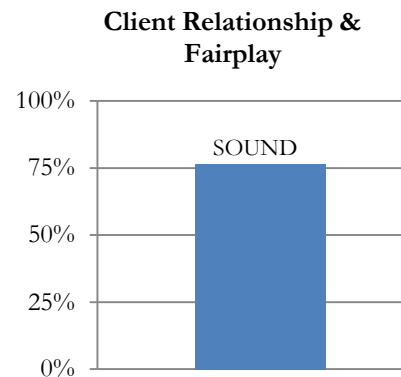
Rating Factors Scores



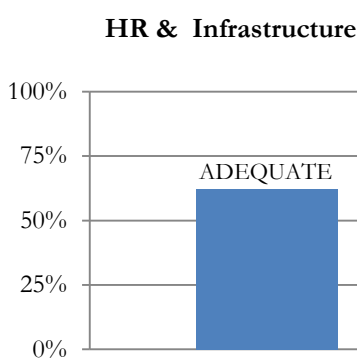
- Inclusion of an independent director on board has been noted, however, further increase in board size would avoid common members in board committees.
- Acquisition of underwriting license has also been noted.
- Net capital balance is considered satisfactory.



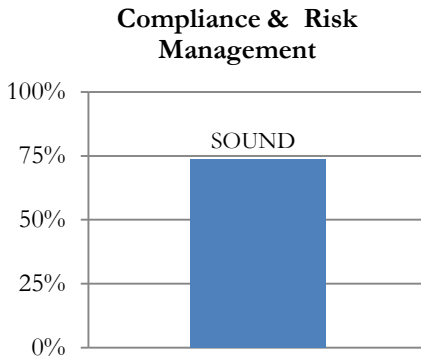
- Employee investment policy may prescribe a minimum holding period.
- Inclusion of CEO statement in annual Financial Statements would enhance disclosure level.



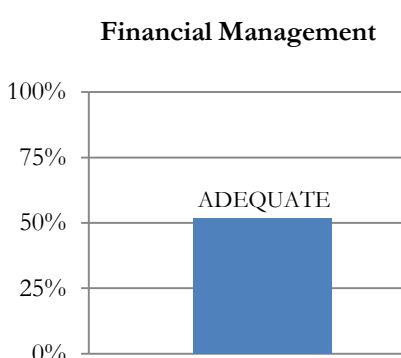
- Execution of trades and reporting to clients is considered sound.



- IT infrastructure and policies are considered adequate.
- Documenting and review of DR exercises and maintenance of offsite records would support business continuity.



- A well-defined proprietary trade policy may be developed to manage market risk.



- Given persistent losses over the last three fiscal years, 28% of capital has been eroded, as it stood in FY16.
- Sponsor director has committed equity reinforcement in the medium term.
- Leverage indicators are compliant with VIS benchmarks.

MANAGEMENT QUALITY SCALE & DEFINITIONS

Appendix I

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

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
	RATING TYPE: BMR			
	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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