

BROKER MANAGEMENT RATING REPORT

Topline Securities Limited

REPORT DATE:

May 14, 2020

RATING ANALYSTS:

Muhammad Tabish

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APPLICABLE

METHDODOLOGY:

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 HR & IT services; sound external control, risk management and regulatory compliance levels while internal control framework, client relationship and financial management are considered adequate.
Rating Date	14 May, 2020

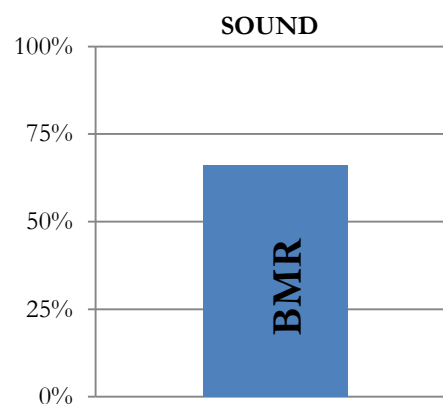
COMPANY INFORMATION

Incorporated in 2001	External auditors: M/s Naveed Zafar Ashfaq Jaffery & Co. – Chartered Accountants
Public Unlisted Company	Chairman of the Board: Mr. Mohammad Sohail
Key Shareholders (with stake 5% or more):	Chief Executive Officer: Mr. Mohammad Sohail
<i>Mr. Mohammad Sobail ~ 70.9%</i>	
<i>Mr. Haroon Fatani ~ 22.3%</i>	
<i>Mr. Amir Fatani ~ 6.8%</i>	

Corporate Profile

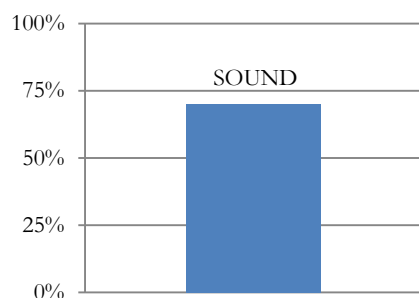
Topline Securities Limited (TSL) is engaged in the business of stock brokerage, commodity brokerage, underwriting, consultancy, book bidding, and advisory services. Shareholding of the company is primarily vested with Mr. Mohammad Sohail, who also serves as the CEO of the company. The company provides both online and physical trading services to local and foreign clients.

TSPL holds Trading Rights Entitlement Certificate (TREC) granted by Pakistan Stock Exchange Limited (PSX) and holds a membership card of Pakistan Mercantile Exchange Limited. External auditors of the company are M/s Naveed Zafar Ashfaq Jaffery & Co. – Chartered Accountants. Auditors belong to category ‘A’ on the approved list of auditors published by the State Bank of Pakistan (SBP).



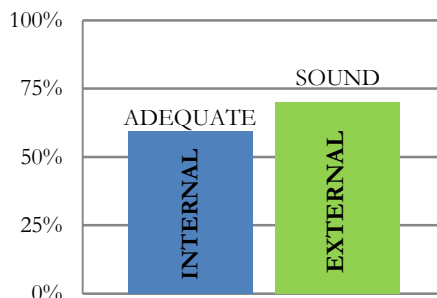
Rating Factors Scores

Regulatory Requirements & Supervision



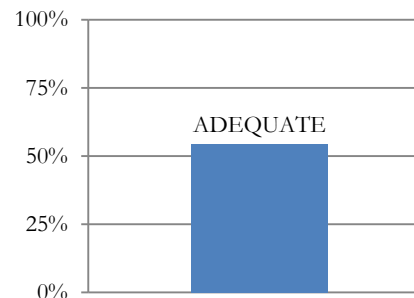
- Board size depicts strong governance levels.
- Formation of Risk Management committee has been noted and bodes well to international best practices.
- An improvement in net capital balance has been noted.
- Consolidation of chairman & CEO position in one person is not according to governance best practices.

Internal & External Control Framework



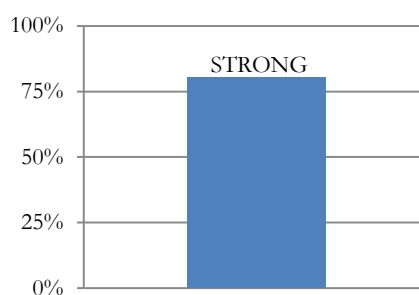
- Internal control environment is supported by well-defined policy framework while quality of external auditors and focus on KYC is sound.
- CEO statement may be in annual accounts to enhance public disclosures.

Client Relationship & Fairplay



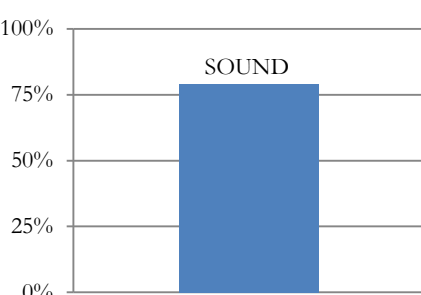
- Execution of trades and reporting to clients is considered sound.
- Risk disclosure document is comprehensive and shared with all customers.
- Uploading market and equity research reports on website would enhance client service.

HR & Infrastructure



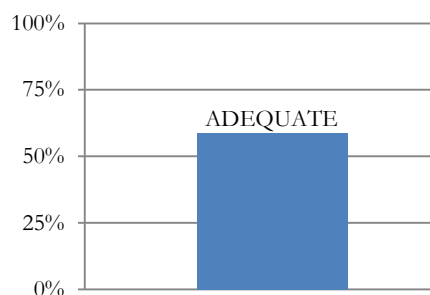
- Off-site backup is under own control, data storage at a third party warehouse is recommended.
- Frequency of reviewing internal IT manuals and policies should be enhanced.

Compliance & Risk Management



- Internal audit function is outsourced to a local consultancy firm.
- Trade review procedures are in place and are reviewed on a monthly basis.
- Low credit risk given high proportion of IDS in overall volumes.

Financial Management



- Overall earning profile witnessed an improvement in HFY20; however, the same is expected to remain under pressure in view of macroeconomic challenges in the aftermath of coronavirus.
- Market risk is limited given conservative proprietary book management strategy.

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	Topline 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			
	14/5/2020	BMR2+	Stable	Upgrade
	6/2/2019	BMR2	Stable	Reaffirmed
	11/7/2017	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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