

BROKER MANAGEMENT RATING REPORT

BIPL Securities Limited

REPORT DATE:

December 28, 2018

RATING ANALYSTS:

Muhammad Tabish

muhammad.tabish@jcrvis.com.pk

APPLICABLE

METHODOLOGY:

Broker Management Ratings 2017

<http://jcrvis.com.pk/docs/BMR2>

[01701.pdf](#)

Rating Category	Latest Rating
Broker Management Rating	BMR2+
Rating Rationale	The rating signifies strong external controls and regulatory compliance levels; sound HR & IT services, client relationship and risk management along with the adequate internal control framework and financial management.
Rating Date	28 December 2018

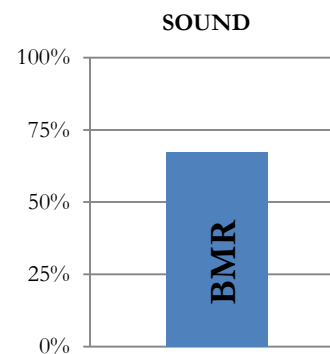
COMPANY INFORMATION

Incorporated in 2000	External auditors: RSM Avais Hyder Liaquat Nauman Chartered Accountants
Public listed	Chairman of the Board: Mr. Kamal Uddin Tipu
Key Shareholders (with stake 5% or more):	Chief Executive Officer: Mr. Abdul Aziz Anis, CFA
M/s. BankIslami Pakistan Limited – 77.12%; Mrs. Noor Jehan Bano – 6.53%; Mr. Mohammad Aslam Motiwala – 7.31%	

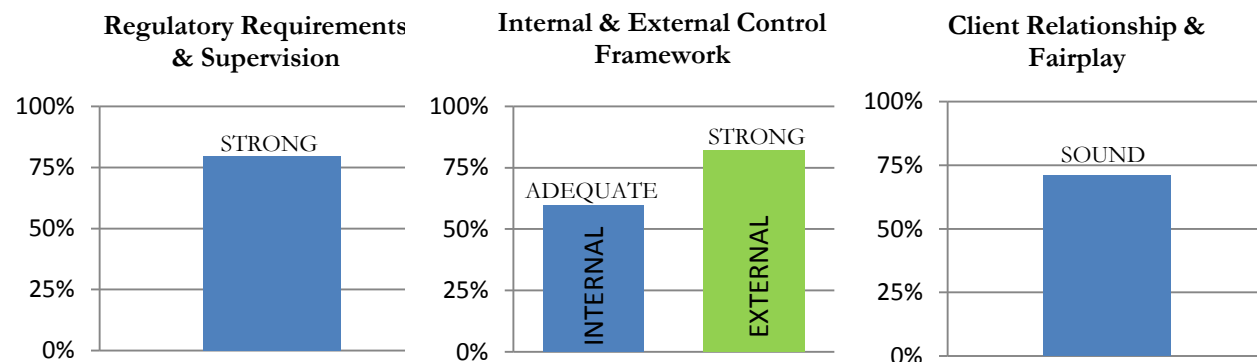
Corporate Profile

BankIslami Pakistan Limited Securities (BIPLS), formerly (prior to acquisition) known as KASB Securities, is in the business of broking services for around last two decades. The company was incorporated in 2000 under the Companies Ordinance 1984 as a public limited company and commenced its operations from January, 2003. BIPLS caters primarily to equity broking services to both retail and institutional clients with limited presence in commodity, fixed income and forex segment. Post-acquisition of KASB Bank by BankIslami Pakistan Limited (BIPL) in 2015, around fourth-fifth of the company’s shareholding was transferred to BIPL while the remaining shareholding is vested with individuals.

Further, the company holds a Trading Right Entitlement Certificate (TREC) of PSX and is a Member of Pakistan Mercantile Exchange Limited (PMEX). External auditors of the company are RSM Avais Hyder Liaquat Nauman Chartered Accountants. Auditors belong to category ‘A’ on the approved list of auditors published by the State Bank of Pakistan (SBP)



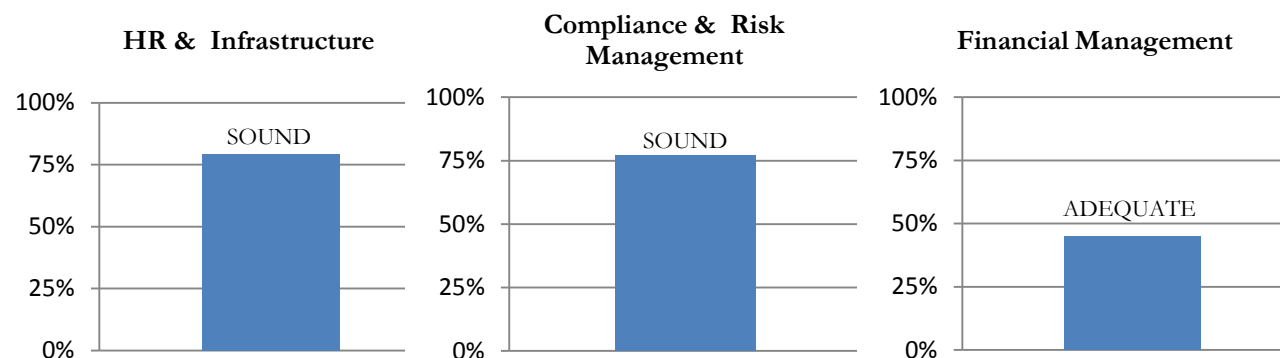
Rating Factors Scores



- Board level governance is considered strong.
- 1/3rd board size represented by independent directors and the same chairing BoD and BAC is consistent with international best practices.
- Directors' training for all the directors needs to be encouraged.

- Internal control policies may be reviewed within 3 years to ensure up to date compliance levels.
- Holding period is mentioned in employee trading guidelines; however, blackout period may also be addressed.
- External control environment is supported by quality auditors and adequate public disclosures.

- Execution of trades is considered sound while reporting of the same is available online to customers.
- Risk disclosure document is shared with all customers that increase the transparency in customer relationship management.



- The organizational structure is well defined with seasoned management team, IT platform and status of policies, manuals and procedures.
- Offsite backup at third party and strengthening the Business Continuity Plan will address unexpected contingencies.

- Risk management policies are sound.
- Trade review procedures are in place and personal trades are being reviewed quarterly.
- Credit evaluation policies for credit limits to various types of clients need development.
- The company does not carry proprietary book.

- Low diversification of income streams with strong reliance on retail brokerage function and declining market volumes exerts pressure on profitability.
- Focus on reducing operating expenses has been observed.
- Going forward, financial performance would remain highly sensitive to volatilities of local stock market and is subject to risks associated with it.

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

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	BIPL 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			
	12/28/2018	BMR2+	Stable	Reaffirmed
	10/17/2017	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.			
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