

## BROKER MANAGEMENT RATING REPORT

### BIPL Securities Limited

**REPORT DATE:**

March 31, 2020

**RATING ANALYSTS:**

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**APPLICABLE**

**METHODOLOGY:**

Broker Management Ratings 2017

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

Rating Category	Latest Rating
<b>Broker Management Rating</b>	<b>BMR2+</b>
<b>Rating Rationale</b>	The rating signifies strong HR & IT services, sound regulatory framework, external controls, client relationship management, and compliance levels while internal control environment and financial management are considered adequate.
<b>Rating Date</b>	31 March 2020

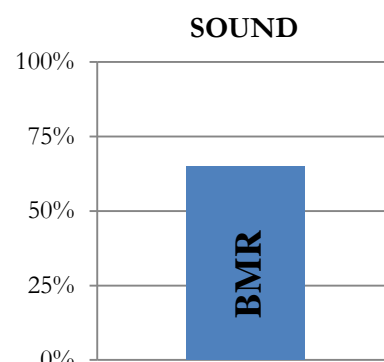
#### COMPANY INFORMATION

<b>Incorporated in 2000</b>	<b>External auditors:</b> RSM Avais Hyder Liaquat Nauman Chartered Accountants
<b>Public listed</b>	<b>Chairman of the Board:</b> Mr. Kamal Uddin Tipu
<b>Key Shareholders (with stake 5% or more):</b>	<b>Chief Executive Officer:</b> Mr. Abdul Aziz Anis, CFA
<i>M/s. BankIslami Pakistan Limited ~ 77.12%</i>	
<i>Mr. Mohammad Aslam Motivala ~ 7.45%</i>	
<i>Mrs. Noor Jehan Bano ~ 6.54%</i>	

#### Corporate Profile

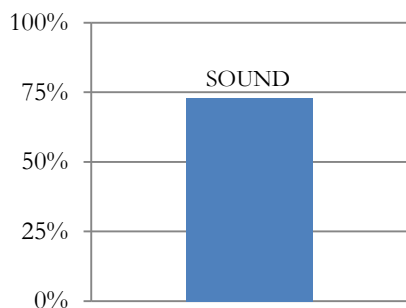
BIPL Securities Limited (BIPLS) is in the business of broking services for around last two decades. The company was incorporated in 2000 under the Companies Ordinance 1984 as a public limited company and commenced its operations from January, 2003. BIPLS caters primarily to equity broking services to both retail and intuitional clients with presence in commodity, fixed income and forex segment. Major shareholding of the company is vested with one of the leading islamic banks, Bank Islami Pakistan Limited.

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 'B' on the approved list of auditors published by the State Bank of Pakistan (SBP).



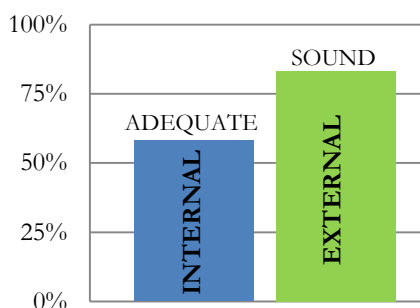
**Rating Factors Scores**

**Regulatory Requirements & Supervision**



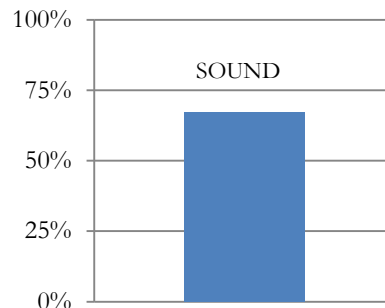
- Board size depicts strong corporate governance levels.
- 1/3rd board size represented by independent directors is in line with best governance practices.
- Reduction in net capital balance has been observed overtime.

**Internal & External Control Framework**



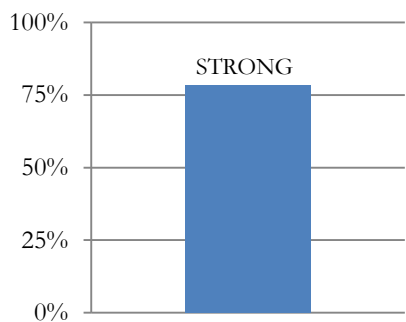
- Downgrading of existing external auditor's category during 2018 has affected the overall external control environment.
- Holding period needs to be extended in employee trading guidelines while blackout periods for institutional and corporate trade are practiced.
- CEO's statement stating that 'no transaction entered during the year was fraudulent, illegal or in violation of market laws' may be added in annual accounts.

**Client Relationship & Fairplay**



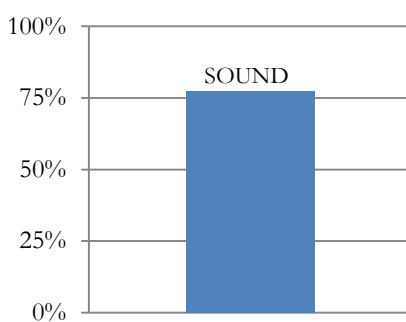
- Integrity of execution of trade is considered to be sound.
- Availability of daily research reports on the website may add to transparency.

**HR & Infrastructure**



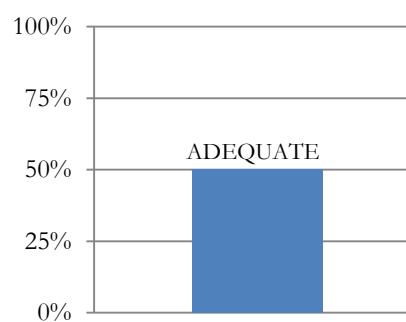
- Organizational structure is well defined with updated IT platform and sound management policies.
- Risk management staff is independently present.

**Compliance & Risk Management**



- Control functions are autonomous and compliance of regulations is considered sound.
- Trade review procedure is developed. Frequency of reviewing procedure for suspicious trades may be increased.
- It is noted that company does not maintain a propriety book.

**Financial Management**



- Despite negative bottom-line, the company has witnessed improvement in overall earning profile in 2019.
- Income generated from dividends and leverage financing has witnessed a declining trend.
- Diversity in income stream from other than brokerage would lower operational risk.

## MANAGEMENT QUALITY SCALE &amp; 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](http://www.vis.com.pk/images/criteria_outlook.pdf)

REGULATORY DISCLOSURES		Appendix II		
<b>Name of Rated Entity</b>	BIPL Securities Limited			
<b>Sector</b>	Brokerage			
<b>Type of Relationship</b>	Solicited			
<b>Purpose of Rating</b>	Broker Management Rating (BMR)			
<b>Rating History</b>	<b>Rating Date</b>	<b>Rating</b>	<b>Rating Outlook</b>	<b>Rating Action</b>
	<b>RATING TYPE: BMR</b>			
	3/31/2020	BMR2+	Stable	Reaffirmed
	12/28/2018	BMR2+	Stable	Reaffirmed
10/17/2017	BMR2+	Stable	Initial	
<b>Instrument Structure</b>	N/A			
<b>Statement by the Rating Team</b>	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.			
<b>Probability of Default</b>	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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