

BROKER MANAGEMENT RATING REPORT

BIPL Securities Limited

REPORT DATE:

May 12, 2022

RATING ANALYSTS:

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Rating Category	Latest Rating
Broker Management Rating	BMR2+
Rating Rationale	Rating Watch Developing The rating signifies strong HR & infrastructure, sound regulatory framework & supervision, internal & external controls, client relationship management, and compliance levels whereas financial management is considered adequate.
Rating Date	12 May, 2022

APPLICABLE METHODOLOGY:

Broker Management Ratings 2020

<https://docs.vis.com.pk/docs/BMR202007.pdf>

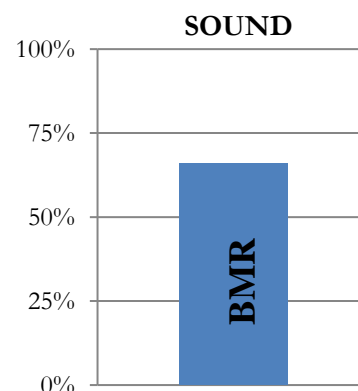
COMPANY INFORMATION

Incorporated in 2000	External auditors: RSM Avasi 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
<i>M/s. BankIslami Pakistan Limited ~ 77.12%</i>	
<i>Muhammad Aslam Motivala 9.36%</i>	
<i>Noor Jehan Bano 6.55%</i>	

Corporate Profile

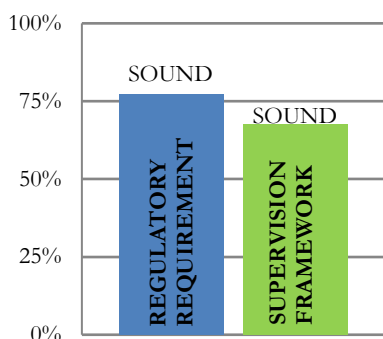
BIPL Securities Limited (BIPLS) is in the business of brokerage for around last two decades. The Company was incorporated in 2000 under the Companies Ordinance 1984 as a public limited company and commenced its operations from January, 2003. BIPLS caters primarily to equity broking services to both retail and intuitional clients with presence in commodity, fixed income and forex segment. Previously, majority shareholding of the Company was vested with, Bank Islami Pakistan Limited, however, as of June 2021, majority ownership stake has been acquired by AKD Securities Ltd. Subsequently, the Company is currently undergoing the process of merger whereby AKD Securities Ltd will be merged into BIPL Securities Limited and the name subsequently changed to AKD Securities Ltd.. The merger is under regulatory approvals.

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 Avasi Hyder Liaquat Nauman Chartered Accountants. Auditors belong to category 'A' on the approved list of auditors published by the State Bank of Pakistan (SBP).



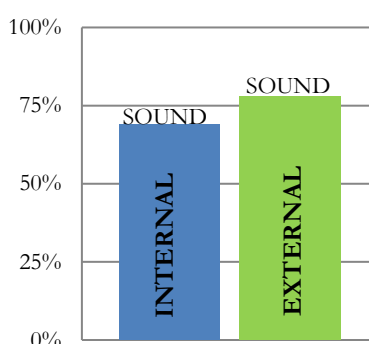
Rating Factors Scores

Regulatory Requirement & Supervision Framework



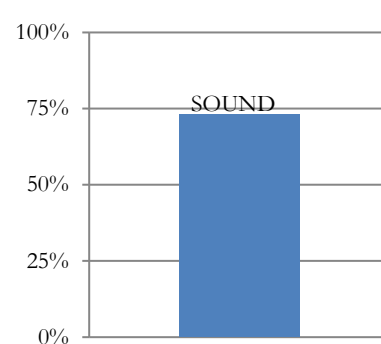
- At present, the company’s board comprises of seven directors with adequate independent representation.
- Inclusion of certified members in the board would bode well with best governance practices.
- Overall regulatory requirement and supervision of the company is considered sound.

Internal & External Control Framework



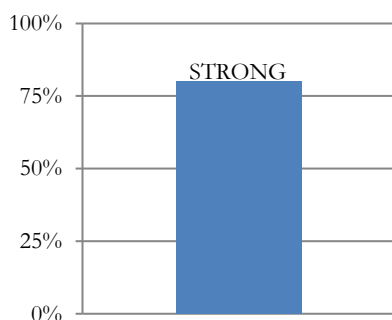
- Overall external control framework and disclosure levels are strong.
- Measures to ensure client confidentiality are in place and all stakeholders are fully aware of any instance of a potential conflict of interest.
- Internal control framework may be further strengthened through increasing the frequency of review of internal control policies and systems.

Client Relationship & Fairplay



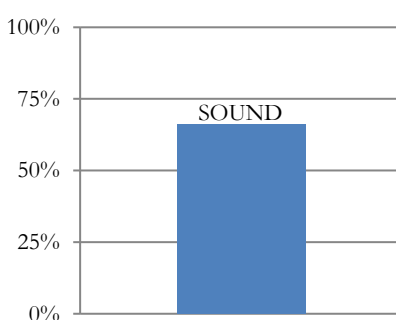
- In line with a client centric approach, all client servicing procedures are in place with the availability of web based trading, prompt trading alerts and research reports for the customers.
- Investor grievance procedures may be improved through greater visibility of a complaint management section on the company’s website.

HR & Infrastructure



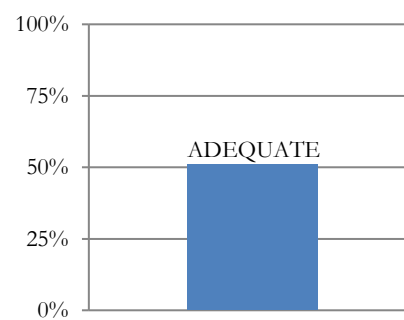
- Organizational structure is well defined and compatible with the size of operations of the Company.
- Business continuity framework is sound, disaster recovery practices are exercised more than once a year.
- Overall HR & Infrastructure of the company is considered strong.

Compliance & Risk Management



- Initiation of mechanism for reviewing suspicious and non-compliant trades has been noted.
- Internal audit and compliance department are segregated and operate independently.
- Risk management as a separate function may be considered to strengthen compliance and risk management.

Financial Management



- Uptick in market volumes during the year improved Company’s profitability profile. The Company’s earning profile also improved and was largely supported by increase in core brokerage income and curtailed expenses during CY21.
- Company’s cost to income ratio improved on a timeline basis but further room for improvement exists, market risk is low, liquidity profile is sound and capitalization indicators remain manageable however, leverage remains elevated for CY21.
- Overall financial management is adequate for the assigned rating. Revenue streams may be augmented to reduce dependence on brokerage income, improvement in efficiency levels, market share and leverage indicator will remain important for the rating, going forward.

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	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
	<u>RATING TYPE: BMR</u>			
	5/12/2022	BMR2+	Rating Watch Developing	Maintained
	3/2/2021	BMR2+	Stable	Reaffirmed
	3/31/2020	BMR2+	Stable	Reaffirmed
	12/28/2018	BMR2+	Stable	Reaffirmed
	10/17/2017	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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