

## BROKER FIDUCIARY RATING REPORT

### Chase Securities (Private) Limited

**REPORT DATE:**

March 13, 2024

**RATING ANALYSTS:**

Shaheryar Khan Mangan  
[shaheryar@vis.com.pk](mailto:shaheryar@vis.com.pk)

#### RATING DETAILS

<b>Broker Fiduciary Rating</b>	<b>BFR3+</b> <i>Good Fiduciary Standards</i>
<b>Rating Rationale</b>	The rating signifies sound management and client services, internal controls and regulatory compliance while ownership and governance along with financial sustainability are considered adequate.
<b>Rating Date</b>	March 13, 2024

#### COMPANY INFORMATION

<b>Incorporated in 2021</b>	<b>External auditors:</b> M/s. UHY Hassan Naeem & Co. Chartered Accountants
<b>Private Limited Company</b>	<b>Chief Executive Officer:</b> Mr. Ali Nawaz
<b>Key Shareholders (with stake 5% or more):</b>	<b>Chairman of the Board:</b> Mr. Kumail Raza
<i>Mr. Ali Nawaz ~66%</i>	
<i>Mr. Kumail Raza ~17%</i>	
<i>Mr. Mebdi Hassan ~17%</i>	

#### APPLICABLE METHODOLOGY

**Applicable Rating Criteria: Broker Fiduciary Ratings 2021**

<https://docs.vis.com.pk/docs/BrokerFiduciary012021.pdf>

#### APPLICABLE RATING SCALE(S)

**VIS Issue/Issuer Rating Scale:**

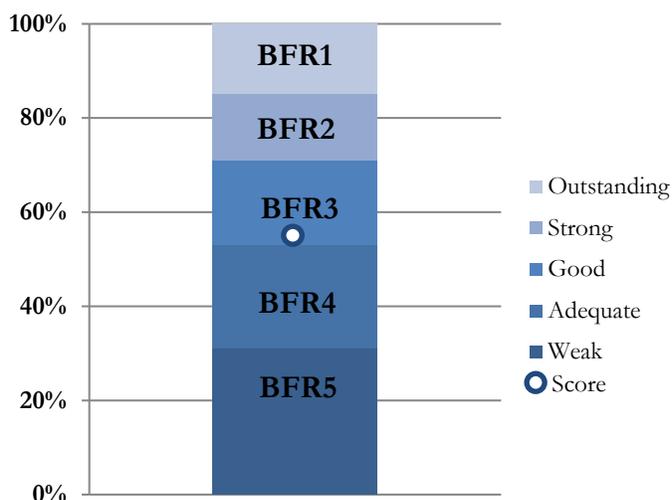
<https://docs.vis.com.pk/docs/VISRatingScales.pdf>

**Chase Securities (Private) Limited**

**CORPORATE PROFILE**

Incorporated in April 2021, Chase Securities CSPL is a private limited company principally engaged in the brokerage of shares. The Company caters mainly to domestic institutional and retail clients. At present, CSPL operates through its head office based in Karachi, where it provides both assisted and online trading services. The Company holds Trading Rights Entitlement Certificate (TREC) granted by Pakistan Stock Exchange Limited (PSX), and is registered with SECP to provide Trading & Self Clearing Services. External auditors of the Company are UHY Hassan Naeem & Co. Chartered Accountants. In October 24, 2023, as per the circular issued by SBP, they were upgraded to the ‘A’ category of the list of Auditors.

**OVERALL GRADING**



**Business and Financial Sustainability Indicators**

	6MFY24*	FY23	FY22
<b>Size of Net Worth (Rs. In Millions)</b>	94	75	63
<b>Gearing x (Total Borrowing/ Total equity)</b>	0.43x	0.00x	0.00x
<b>Leverage x (Total liabilities/ Total equity)</b>	2.26x	0.40x	0.43x
<b>Liquid Assets/ Total Liabilities (x)</b>	0.65x	1.11x	0.70x
<b>Short term Investments/ Total Equity (%)</b>	0.02%	14%	3%

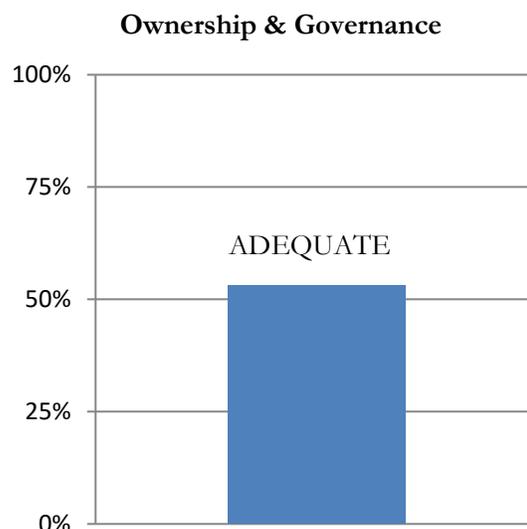
\*Unaudited Accounts

**Chase Securities (Private) Limited**

**Rating Indicators**

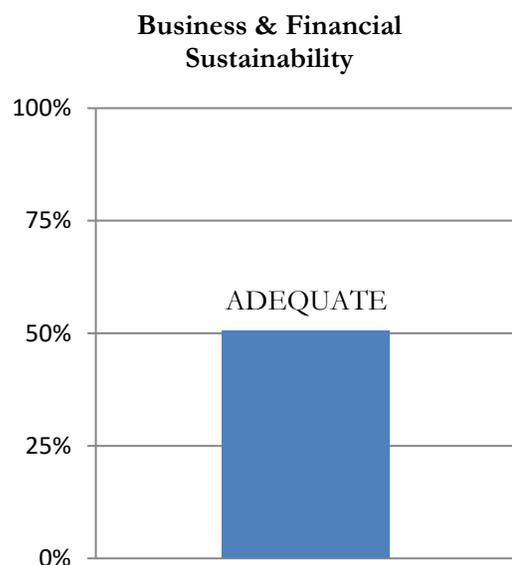
**Ownership & Governance**

- The governance framework of the Company is constrained by its board size wherein only 2 directors are present, with no independent representation. The two directors on the board are also the sponsoring directors.
- Consequently, the Company has only one board committee namely audit committee with three members in the same.
- As represented by the management, the Company has initiated the process of enhancing its board size and composition. In addition, existing directors are also undertaking the Directors’ Training Program (DTP), expected to be completed by June 2024. Implementation of these measures will remain important for rating.
- Disclosure levels of the Company are considered sound, as ascertained by the auditor’s report, director’s report, CEO statement and Statement of compliance published in the annual report.
- M/s. UHY Hassan Naeem & Co are the internal auditor of the Company. In October 24, 2023, as per the circular issued by SBP, they were upgraded to the ‘A’ category of the list of Auditors.



**Business & Financial Sustainability**

- During FY23, amidst the slowdown in market activity, the Company managed to post strong growth in its brokerage revenue, reporting profit in the same period. This growth trend has continued in 6MFY24. Notably, a resurgence in investor confidence, following the stand by arrangement with the IMF along with positive changes in macroeconomic indicators, has also fueled growth in revenue during 6MFY24.
- Consequently, cost- to income ratio improved in 6MFY24, standing at 69.4% (FY23: 83.9%, FY22: 106.0%).
- The Company has a miniscule market risk, attributable to the small proprietary book maintained by the Company.
- Liquidity profile of the Company is considered adequate given the liquid assets covering 0.65x of its total liabilities at end-Dec’23
- During FY23, equity base of the Company increased on the back of higher profits reported as well as issuance of share capital. The equity base saw a further increase in tandem with the profits reported in 6MFY24. Nevertheless, the equity base remains small, thereby reflecting an adequate capitalization profile. Gearing in



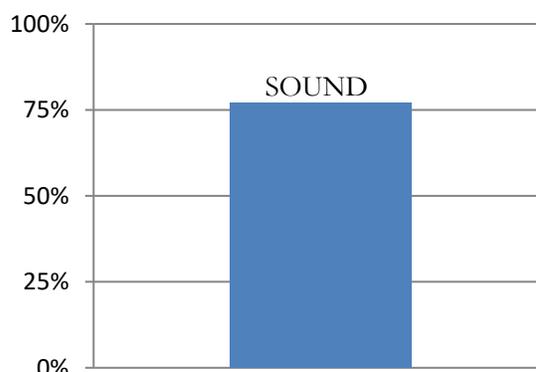
6MFY24 increased to 0.43x (FY23: 0.0x, FY22: 0.0x) due to subordinated loan injected by the director.

- Going forward, augmentation in revenue, as well as equity base, maintenance of gearing ratio coupled with improvement in leverage as well as efficiency levels, will remain important for rating.

**Management & Client Services**

- The Company has undertaken invitations and advertisements, providing impetus to its client services.
- The Company has put in place web-trading and mobile application in order to facilitate clients to execute transactions. Additionally, the Company has further pronounced its systems through prompt communication of trade alerts to clients. However, improvement in client grievance procedures may further enhance Company’s client service.
- The organizational structure of the Company aligns with its scale of operations.
- Outsourcing offsite backups at a third party warehouse may improve the Company’s contingency measures. Likewise, enhancing disaster recovery and business continuity exercise may be considered for the same.

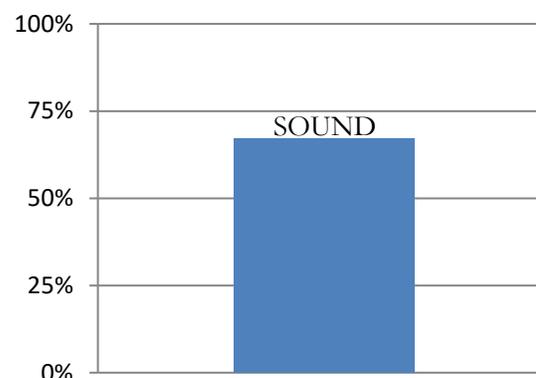
**Management & Client Services**



**Internal Controls & Regulatory Compliance**

- Internal policies of the Company are in place. However, enhancing the scope of the same including conflict of interest policy and employee trading policy may further improve internal controls.
- Increasing the frequency of reviewing internal control system and compliance level by internal audit department may be further strengthened. Similarly, increasing frequency of trade review procedures for non-compliant/suspicious trades may be considered for enhancing the internal controls of the Company.
- The company offers credit limits up to twice the amount of their deposits to retail clients, while no credit limit is extended to institutional customers. Consideration may be given to augmenting its IDS Clients.
- While internal audit department is outsourced to a third party and compliance function is independently structured, adding an independent risk management function may add strength to the control framework.

**Internal Controls & Regulatory Compliance**



**Broker Fiduciary Rating Explained**

*In Securities Broker Fiduciary Rating (SBF), the strength of fiduciary role of the securities brokers is captured through the relative financial strength of the securities broker firm and its sponsors along with depth of internal control and governance framework, which are key rating ingredients. Responsiveness of the risk and internal control structure, quality of HR and soundness of the business infrastructure determine the strength of management and level of service quality of a stock broker. VIS Credit Rating Co. Ltd. (VIS) has developed a rating system that evaluates brokerage firms on the basis of such practices and the systems instituted to safeguard investor interests are at the forefront.*

**Chase Securities (Private) Limited**

REGULATORY DISCLOSURES		Appendix I		
<b>Name of Rated Entity</b>	Chase Securities (Private) Limited			
<b>Sector</b>	Brokerage			
<b>Type of Relationship</b>	Solicited			
<b>Purpose of Rating</b>	Broker Fiduciary Rating (BFR)			
<b>Rating History</b>	<b>Rating Date</b>	<b>Rating</b>	<b>Rating Outlook</b>	<b>Rating Action</b>
	<b>RATING TYPE: BFR</b>			
	03/13/2024	BFR3+	Stable	Upgrade
	01/26/2023	BFR3	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.			
<b>Disclaimer</b>	Information herein was obtained from sources believed to be accurate and reliable; however, VIS does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Copyright 2024 VIS Credit Rating Company Limited. All rights reserved. Contents may be used by news media with credit to VIS.			