

BROKER MANAGEMENT RATING REPORT

Chase Securities Pakistan (Pvt) Limited

REPORT DATE:

05 June, 2023

RATING ANALYSTS:

Syeda Batool Zehra Zaidi

batool.zaidi@vis.com.pk

Jahanzaib Alvi

jahanzaib.alvi@vis.com.pk
APPLICABLE
METHDOLOGY:

Broker Management Ratings 2020:

<https://docs.vis.com.pk/docs/BMR2020>[07.pdf](#)
APPLICABLE RATING SCALE(S):
VIS Issue/Issuer Rating Scale: <https://docs.vis.com.pk/docs/VISRatingScales.pdf>

Rating Category	Latest Rating
Broker Management Rating	BMR3++
Rating Rationale	The rating signifies sound supervision and internal control framework. Regulatory governance, external control framework, client relationship & fair-play, HR & infrastructure, compliance & management, and financial management are considered adequate.
Rating Date	5 th June, 2023

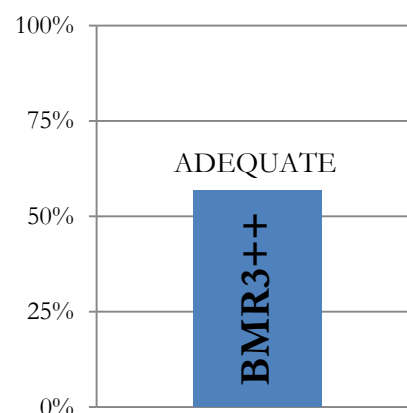
COMPANY INFORMATION

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

Corporate Profile

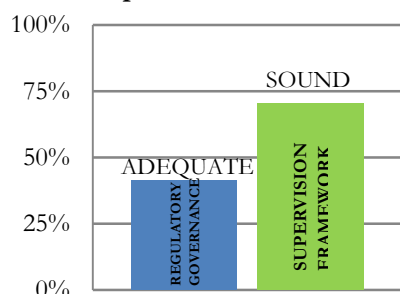
Incorporated in April 2021, Chase Securities Pakistan CSPL is a private limited company principally engaged in the brokerage of shares. The Company caters mainly to domestic institutional and retail clients. At present, CSPL operates through its head office based in Karachi, where it provides both assisted 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. External auditors belong to category 'B' on the approved list of auditors published by the State Bank of Pakistan (SBP).



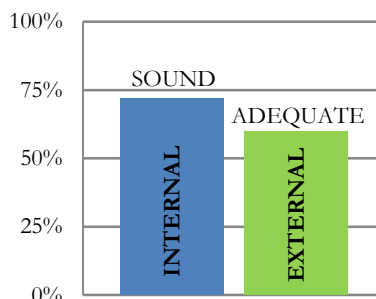
Rating Factors Scores

Regulatory Governance & Supervision Framework



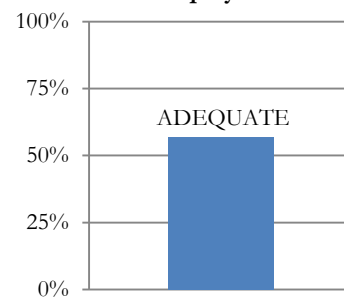
- Chase Securities Pakistan (CSPL) was incorporated in April 2021 as a Private Limited Company by a team of capital market professionals. Mr. Ali Nawaz, the Chief Executive Officer, has about 15 years of Treasury and Capital markets experiences and holds the majority shareholding of the Company.
- At present, CSPL is represented by a two member Board Audit Committee (BAC). Going forward, inclusion of certified members on the board along with independent representation would assist in the formulation of independently represented board committees and strengthen overall governance framework.
- Acquisition of additional licenses may support larger trading activity along with reducing dependence on brokerage segment.

Internal & External Control Framework



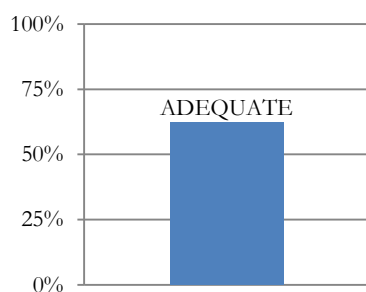
- Internal control framework is considered to be sound. CSPL is a newly established entity where internal policies and procedures are still under development, hence room for improvement in the scope of the same exists.
- Internal audit function has been outsourced. Risk and compliance are overlooked by the same personnel. Inclusion of a separate risk function going forward may further strengthen the control framework.
- External control framework is adequate; appointing 'A' category auditors from SBP's approved list of auditors along with inclusion of CEO's independent statement and statement of Compliance with Code in the Company's annual financial statements may enhance CSPL's disclosure levels.

Client Relationship & Fairplay



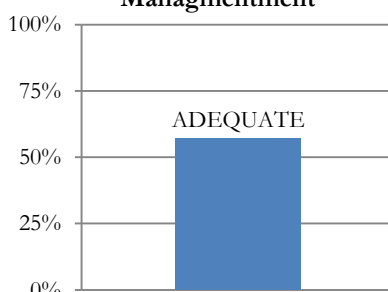
- Client relationship and fair-play is considered to be adequate. At present, web-based trading and mobile application are available for client facilitation. However, the same can be improved through prompt communication of trade alerts and availability of additional client tools and resources on the Company's website.
- CSPL is in process of developing a new website, whereas research reports are available on social media platforms. Placing the same on the Company's may be considered to facilitate stakeholders.
- Increased geographical footprints may enhance client based and expand its revenue stream.

HR & Infrastructure



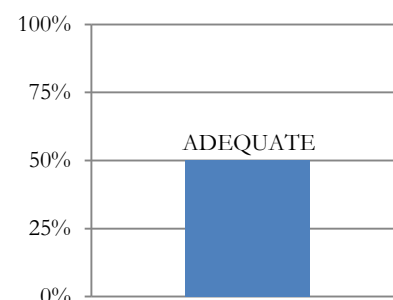
- HR & Infrastructure of the Company is considered adequate. Establishing a fully integrated ERP platform may improve overall infrastructure of the Company.
- Contingency measures are in place. However, developing a separate, well-defined HR & IT policy may be considered along with frequently exercising disaster recovery practices to further strengthen the business continuity framework.

Compliance & Risk Management



- Compliance and risk management is adequate; both functions are being overlooked by same personnel. Segregating risk management function may strengthen the organizational structure.
- Developing a mechanism for reviewing and monitoring suspicious and non-compliant trading may be considered.

Financial Management



- During FY22, CSPL managed to generate reasonable brokerage revenues amidst slow market conditions and the momentum continued end-HFY23.
- Albeit remaining on the higher side, operational efficiency ratio improved to 78% end-HFY23 (FY22 107%).
- At present, the capitalization indicators are considered adequate given small equity base of the Company. Gearing ratio was 0.2x end-HFY23 (FY22 nil) while leverage indicator depicted increase on timeline basis. End-HFY23, leverage was 0.8x (FY22 0.4x, FY21 0.2x)
- Market risk was observed to be on the lower side and liquidity profile was considered to be adequate during the year.
- Overall business and financial sustainability indicators of the Company are considered adequate. Augmentation of revenues while managing cost to income ratio, improvement in liquidity profile and capitalization indicators will remain important for rating.

REGULATORY DISCLOSURES		Appendix I		
Name of Rated Entity	Chase Securities Pakistan (Pvt) 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>			
	05/06/2023	BMR3++	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	N/A			
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