

## BROKER MANAGEMENT RATING REPORT

### Intermarket Securities Limited

#### REPORT DATE:

October 11, 2017

#### RATING ANALYSTS:

Muniba Khan

[muniba.khan@jcrvis.com.pk](mailto:muniba.khan@jcrvis.com.pk)

#### APPLICABLE

#### METHODOLOGY:

Broker Management Ratings  
2017

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

#### RATING DETAILS

Rating Category	Latest Rating	Previous Rating
Broker Management Rating	BMR2	-
Rating Definition	Sound regulatory compliance levels and financial management, internal and external control environment is robust, compliance and risk management frameworks are effective, HR, IT and customer service are sufficiently proactive.	-
Rating Date	October 6, 2017	-

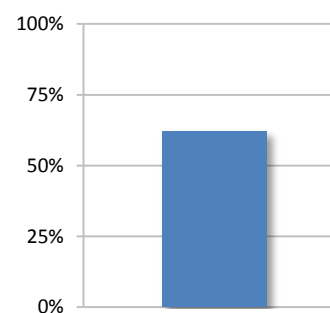
#### COMPANY INFORMATION

Incorporated on September 2002	External auditors: Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants
Public Limited Company	Chairman of the Board: Mr. Azneem Bilwani
Key Shareholders (with stake 5% or more):	Chief Executive Officer: Mr. Shehzad Moosani
Azneem Bilwani – 90%; Muhammad Javed Moti – 10%	

Intermarket Securities Limited (IMSL) was incorporated on September 6, 2002 under the Companies Ordinance 1984 as a private limited company. IMSL came into creation through the acquisition of ING Barings Pakistan's (INGBP) business operations. INGBP, the brokerage and corporate advisory arm of Barings Bank decided to withdraw its physical presence from the sub-continent in 1998 due to lack of profitable business ventures. In 2009, it was subsequently converted into a public limited company. IMSL is now the flagship company of Intermarket Group (IMG). IMG is diversified in several business sectors including corporate advisory, construction, real estate and information technology.

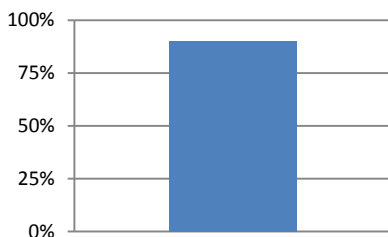
The company holds a Trading Right Entitlement (TRE) certificate issued by the Pakistan Stock Exchange Limited (PSX). Shareholding of the company is held between two individuals; Mr. Azneem Bilwani owning 90% of the company and the remaining 10% belonging to Mr. Muhammad Javed Moti.

#### Total BMR Score = 62%



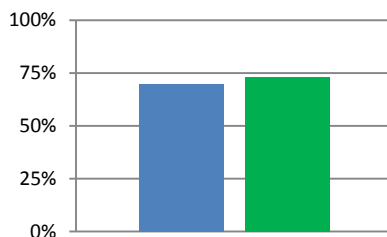
## Rating Factors Scores

### Regulatory Requirements & Supervision



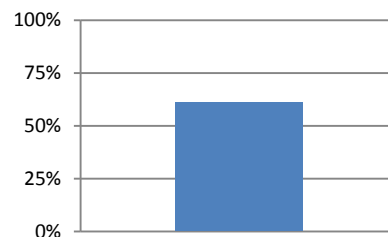
- Fulfillment of membership and licensing requirements for Trading and Self-Clearing activities is considered sound
- Capital Requirements and Fulfillment depict significant cushion against its existing liabilities
- Presence of independent director on the Board and Board's self-evaluation would add to corporate governance standards
- Constitution of Board level Risk Management committee and chairing of Board Audit committee by an independent director would enhance corporate governance

### Internal & External Control Framework



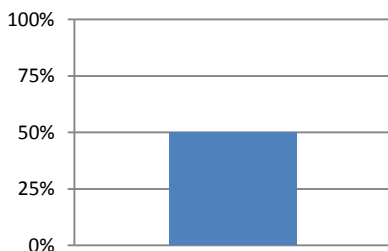
- Quality of external auditors and focus on KYC is sound
- Internal control policies and framework could be further strengthened with more frequent reviews and greater documentation
- Conflict of interest policy needs to be signed by employees in order to strengthen controls
- Disclosures to public is considered adequate but may be developed further to include director's report and CEO statement

### Client Relationship & Fairplay



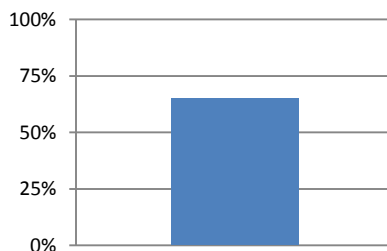
- Execution and reporting to clients is considered adequate
- A risk disclosure document, although signed by all customers, may be made more comprehensive
- Along with online reporting, the customers may be provided with day end reports containing information regarding handling of securities, receipts and payments and holding balances of customer's assets
- Process for customer grievances, though in place, may be improved upon by adding a customer complaint section with greater visibility

### HR & Infrastructure



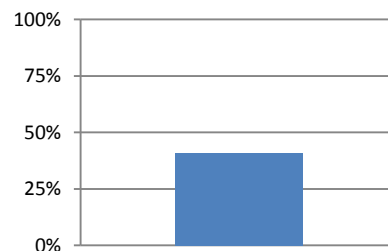
- A well-defined organogram is in place with all key positions filled
- Sound professional management is observed
- Business continuity needs to be strengthened through maintenance of offsite records and more frequent DR exercises
- Periodic external review of technological infrastructure would further strengthen operational efficiency

### Compliance & Risk Management



- Compliance, Internal Audit and Risk Management functions are independently placed
- Adherence with regulations is considered satisfactory
- Running of proprietary book is not in line with best practices for a brokerage house
- Tighter credit limits to retail and greater proportion of IDS clients would have a positive impact on operational risk management

### Financial Management



- Growth in core revenue base i.e. brokerage income is sound
- Revenue support from volatile capital gains is also significant
- Leverage indicators are above 1x mark
- Continued focus on enhancement of core income, liquidity management and monitoring of efficiency levels would drive capitalization levels, going forward

**ISSUE/ISSUER RATING SCALE & DEFINITIONS**

**Appendix I**

**RATING SCALE & DEFINITIONS: BROKER MANAGEMENT RATING**

**BMR1A**

Very strong regulatory compliance levels and financial management; internal and external control environment is very robust; compliance and risk management frameworks are extremely effective; HR, IT and customer services are strongly proactive

**BMR3++, BMR3+, BMR3**

Adequate regulatory compliance levels and financial management, internal and external control environment is sufficient, compliance and risk management frameworks are satisfactory; HR, IT and customer service are adequately proactive.

**BMR1++, BMR1+, BMR1**

Strong regulatory compliance levels and financial management, internal and external control environment is robust, compliance and risk management frameworks are highly effective; HR, IT and customer service are highly proactive

**BMR4++, BMR4+, BMR4**

Weak regulatory compliance levels and financial management, internal and external control environment has gaps, compliance and risk management frameworks need improvements; HR, IT and customer service are insufficiently proactive.

**BMR2++, BMR2+, BMR2**

Sound regulatory compliance levels and financial management, internal and external control environment is robust, compliance and risk management frameworks are effective; HR, IT and customer service are sufficiently proactive.

**BMR5++, BMR5+, BMR5**

Weak regulatory compliance levels and financial management, internal and external control environment insufficient, compliance and risk management frameworks need improvements; HR, IT and customer service is inadequate.

## JCR-VIS Credit Rating Company Limited

Technical Partner – IIRA, Bahrain | JV Partner – CRISL, Bangladesh

REGULATORY DISCLOSURES		Appendix II		
<b>Name of Rated Entity</b>	Intermarket 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>			
	10-6-2017	BMR2	Stable	Initial
<b>Instrument Structure</b>	N/A			
<b>Statement by the Rating Team</b>	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.			
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