

BROKER FIDUCIARY RATING REPORT

Chase Securities Pakistan (Private) Limited

REPORT DATE:

26 January, 2023

RATING ANALYSTS:

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RATING DETAILS

Broker Fiduciary Rating	BFR3 <i>Good Fiduciary Standards</i>
Rating Rationale	The rating signifies sound management and client services, while internal controls and regulatory compliance, ownership and governance along with financial sustainability are considered adequate.
Rating Date	26 January, 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. Mehdî Hassan ~17%</i>	

APPLICABLE METHODOLOGY

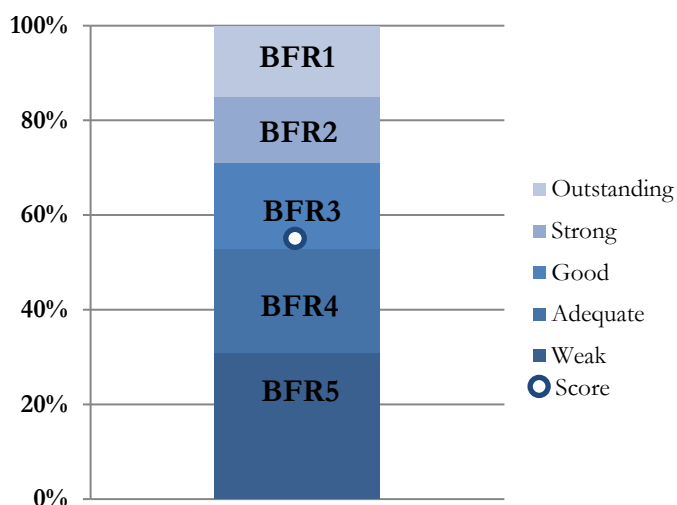
Applicable Rating Criteria: Broker Fiduciary Ratings 2021
<https://docs.vis.com.pk/docs/BrokerFiduciary012021.pdf>

Chase Securities Pakistan (Private) Limited

CORPORATE PROFILE

OVERALL GRADING

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).



Business and Financial Sustainability Indicators

	FY22
Size of Net Worth (Rs. In Millions)	63
Gearing x (Total Borrowing/ Total equity)	0.00x
Leverage x (Total liabilities/ Total equity)	0.43x
Liquid Assets/ Total Liabilities (x)	0.8x
Short term Investments/ Total Equity (%)	3%

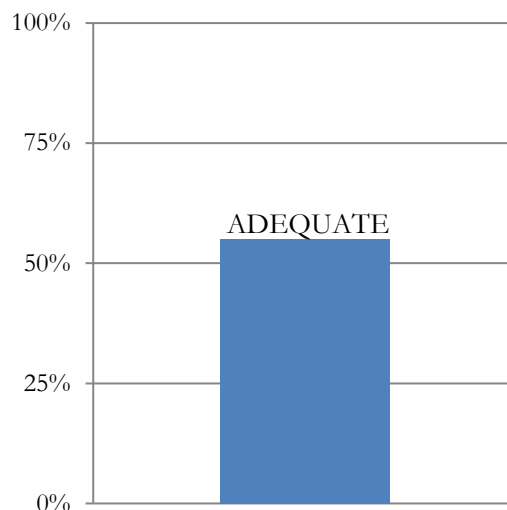
Chase Securities Pakistan (Private) Limited

Rating Indicators

Ownership & Governance

- Chase Securities Pakistan 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.
- The Board comprises of two members who are also the sponsor directors. Increasing the board size with inclusion of independent members may improve governance framework of the Company.
- Committees at the Board level also remain limited to Audit only. Increasing the board size may also facilitate formation of board committees, which in turn may further enhance governance.
- Disclosure levels in financial statements are adequate; however, the same may be enhanced by including CEO’s statement on fraudulent transactions as well as statement of compliance with code.

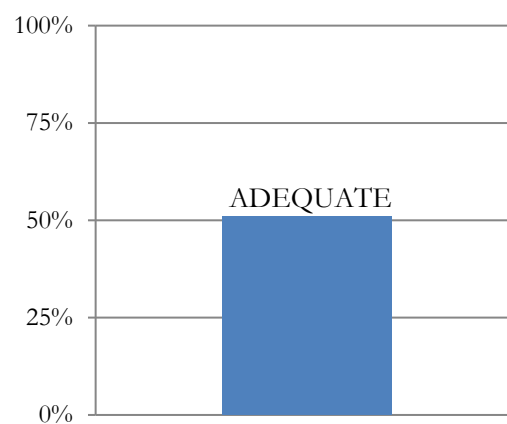
Ownership & Governance



Business & Financial Sustainability

- Since starting operations in January 2022, the Company has been able to generate reasonable brokerage revenues amidst slow market conditions. However, revenues remained short of absorbing expenses, resulting in net losses. Managing costs in tandem with revenues will remain important for business and financial sustainability.
- Exposure to market risk is considered low given limited proprietary trading during FY22.
- Liquidity profile is considered adequate with liquid assets providing 80% coverage to total liabilities at end FY22.
- At present, the capitalization indicators are considered adequate given small equity base of the Company. Enhancement in equity base to meet the prescribed minimum capital requirements for FY2023 will remain important.
- Overall business and financial sustainability indicators of the Company are considered adequate. Augmentation of revenues while managing cost to income ratio and gearing profile will remain important for rating.

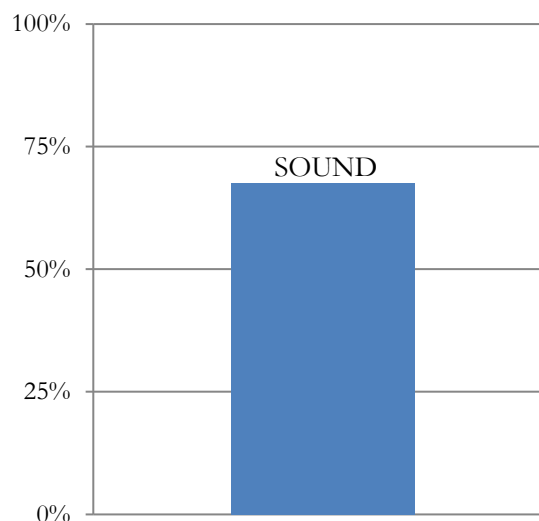
Business & Financial Sustainability



Management & Client Services

- Web-based trading and mobile application are available for client facilitation. However, the same can be improved through prompt communication of trade alerts to clients.
- The Company is in the process of setting up the Research function which may be leveraged to enhance customer base.
- Planned organizational structure commensurate with the size of the Company. Some key vacancies are in the process of being filled.
- Backup arrangements are in place and at present the Company’s research department has been outsourced, the Company is currently hiring more personnel to have a separate in-house research department.
- Offsite backup is maintained under the company’s own control. The same maybe tested at regular intervals.

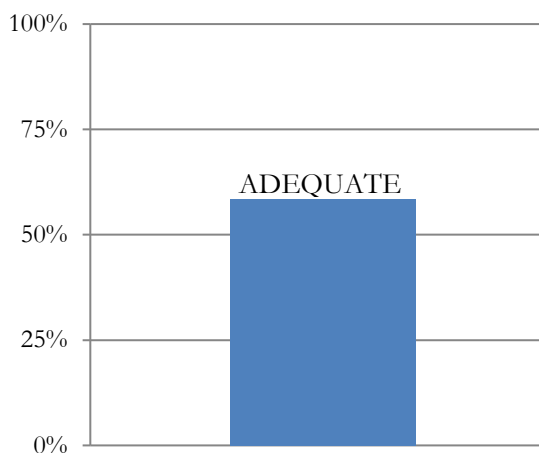
Management & Client Services



Internal Controls & Regulatory Compliance

- Given Company is a new establishment, some internal policies are still in the development stage.
- Scope of internal policies may be reviewed with time to enhance the scope in line with best practices.
- Dissemination of policies to all stakeholders may be considered in order to further strengthen internal controls.
- 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.

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.

FIDUCIARY RATING SCALE & DEFINITIONS

Appendix I

RATING SCALE & DEFINITIONS: SECURITIES BROKER FIDUCIARY RATING**BFR1**

Outstanding fiduciary standards

BFR4++, BFR4+, BFR4

Adequate fiduciary standards

BFR2++, BFR2+, BFR2

Strong fiduciary standards

BFR5++, BFR5+, BFR5

Weak fiduciary standards

BFR3++, BFR3+, BFR3

Good fiduciary standards

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

Chase Securities Pakistan (Private) Limited

REGULATORY DISCLOSURES		Appendix II		
Name of Rated Entity	Chase Securities Pakistan (Private) Limited			
Sector	Brokerage			
Type of Relationship	Solicited			
Purpose of Rating	Broker Fiduciary Rating (BFR)			
Rating History	Rating Date	Rating	Rating Outlook	Rating Action
	RATING TYPE: BFR			
	01/26/2023	BFR3	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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