

BROKER MANAGEMENT RATING REPORT

AKD Securities Limited

REPORT DATE:

April 8, 2020

RATING ANALYSTS:

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APPLICABLE

METHODOLOGY:

Broker Management Ratings 2017
<http://vis.com.pk/docs/BMR201701.pdf>

Rating Category	Latest Rating
Broker Management Rating	BMR2++
Rating Rationale	The rating signifies strong external control framework, client relationship management and HR & IT services while regulatory compliance levels, internal controls and risk & financial management are considered sound.
Rating Date	8 April, 2020

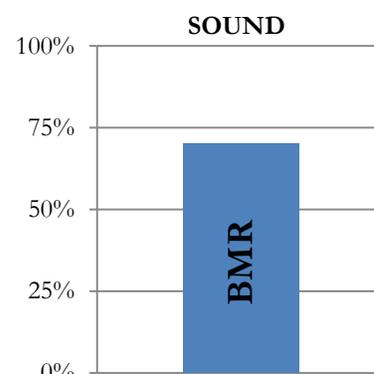
COMPANY INFORMATION

Incorporated on May 2007	External auditors: Riaz Ahmad and Co. Chartered Accountants
Public Unlisted Company	Chairperson of the Board: Mrs. Hina Junaid
Key Shareholders (with stake 5% or more):	Chief Executive Officer: Mr. Muhammad Farid Alam, FCA
<i>Aqeel Karim Dhedhi Securities (Pvt.) Limited: 100%</i>	

Corporate Profile

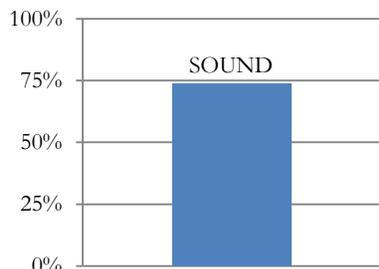
Operating in the broking business for over 12 years, AKD Securities Limited (AKDSL) is primarily engaged in provision of equity brokerage services catering to domestic retail and high net worth (HNWI) clients, local institutions and foreign broker dealers. Alongside, the company also provides corporate advisory services. AKDSL runs business operations through its head office based in Karachi along with a network of six branches spread nationwide. The company, through direct and beneficial ownership, is a wholly-owned subsidiary of Aqeel Karim Dhedhi Securities (Pvt.) Limited (AKDSPL). The sponsor owns significant interests in financial services, real estate, telecom, infrastructure and natural resources sectors.

AKDSL is registered with Securities & Exchange Commission of Pakistan (SECP) and holds Trading Rights Entitlement Certificate (TREC) granted by Pakistan Stock Exchange Limited (PSX). External auditors of the company are Riaz Ahmad and Co. Chartered Accountants. Auditors belong to category 'A' on the approved list of auditors published by the State Bank of Pakistan (SBP).



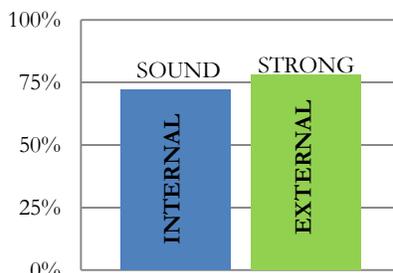
Rating Factors Scores

Regulatory Requirements & Supervision



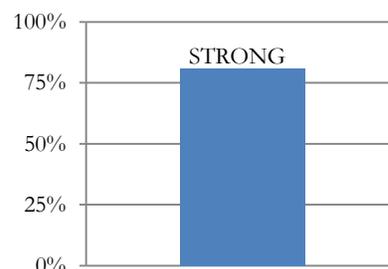
- Independent director with relative experience may add value to the board.
- In terms of Board size, room for improvement exists. Strengthening the same would enhance board oversight and avoid common members in board level committees.
- Formation of risk management committee may further enhance corporate level governance.

Internal & External Control Framework



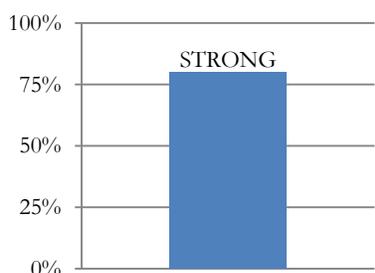
- A separate employee trading guidelines (ETP) may be added to the policy documents. Holding period needs to be extended in ETP and blackout period may also be mentioned.
- CEO’s statement stating that ‘no transaction entered during the year was fraudulent, illegal or in violation of market laws’ and Statement of compliance with code may be added in annual accounts.

Client Relationship & Fairplay



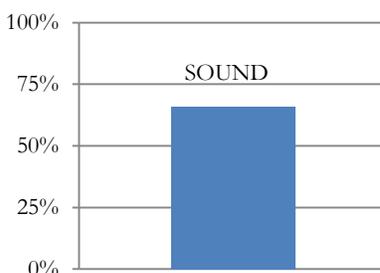
- Integrity of execution of trade is considered to be strong.
- A more prominent client complaint reporting section maybe added to the website header to provide prompt access to customers.

HR & Infrastructure



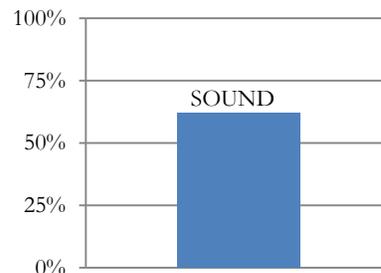
- The organizational structure is well defined, however independent risk management staff would bode well to best governance practices.
- IT infrastructure is considered to be strong as offsite backup is under third party control and business continuity exercises are practiced frequently.

Compliance & Risk Management



- Internal audit and compliance functions are segregated to strengthen control environment.
- Frequency of trade reviews policies and procedures for non-compliant and suspicious trade have been enhanced.
- Maintaining a propriety book is not considered with international best practices.

Financial Management



- Earning profile witnessed improvement during HFY20; however, there may be re-measurement losses on investments in view of substantial decline in equity market post COVID-19 outbreak.
- Strong sponsor profile, sizeable retail client base and low leveraged capital structure provides support to the assigned ratings.

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	AKD 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>			
	4/8/2020	BMR2++	Stable	Reaffirmed
	3/4/2019	BMR2++	Stable	Reaffirmed
	12/20/2017	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 management quality only and is not a recommendation to buy or sell any securities.			
Probability of Default	Not Applicable			
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